



# **BROWN ADVISORY US SMALLER COMPANIES PLC**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023



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## Introduction to Brown Advisory US Smaller Companies PLC

### What does Brown Advisory US Smaller Companies PLC (the “Company”) do?

The Company aims to achieve long-term capital growth by investing in a diversified portfolio of quoted US smaller and medium-sized companies.

### Who is it suitable for?

Brown Advisory manages the Company’s portfolio on behalf of individual investors and wealth managers. The Company provides a cost-effective way to access the large, entrepreneurial group of smaller companies in the world’s largest economy – the United States of America. For individuals who are willing to invest over the long-term, these companies often outperform their large-cap peers (as the chart on the following page demonstrates) so make for a compelling investment opportunity.




### How is Brown Advisory US Smaller Companies invested?

Managed by Chris Berrier and George Sakellaris, CFA, of the US-based investment manager, Brown Advisory, the Company focuses on businesses with strong growth potential, scalable go-to-market strategies and well-aligned management and shareholder interests. The resulting portfolio is diversified across sectors, business models and economic cycles.

*The power of compounding* – the managers recognise the potential of compounding in order to achieve long-term, risk-adjusted returns. Therefore, they seek to invest in companies that present above average capital growth rates.

Harnessing their local knowledge and innovative research approach, they aim to capitalise on market inefficiencies in valuations and invest in businesses that exhibit what they refer to as “3G” qualities:

**A checklist for long-term compounders**

GROWTH	GOVERNANCE	GO-TO-MARKET
 <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>▪ Durability</li> <li>▪ Large and/or growing market</li> <li>▪ Market leader or share gainer</li> <li>▪ Differentiated business model</li> </ul>	 <p><b>Execution</b></p> <ul style="list-style-type: none"> <li>▪ Trust &amp; Transparency</li> <li>▪ Capable, shareholder-friendly management</li> <li>▪ Diverse and appropriate Board structure</li> <li>▪ Well-structured, aligned incentives</li> </ul>	 <p><b>Economic Profit</b></p> <ul style="list-style-type: none"> <li>▪ Higher Return on Invested Capital (ROIC)</li> <li>▪ Highly valuable incremental revenue</li> <li>▪ High and/or rising margins and returns</li> <li>▪ Capital efficient</li> </ul>

Out of a universe of over 2,000 companies, this process reduces the available market to around 500 companies, while the portfolio itself is typically made up of 70-80 of these companies.

*Benchmark agnostic* – while the Company’s performance is measured against the sterling adjusted Russell 2000 Total Return Index, the managers are not beholden to this benchmark – individual sector and security weightings are driven by their rigorous stock selection process.

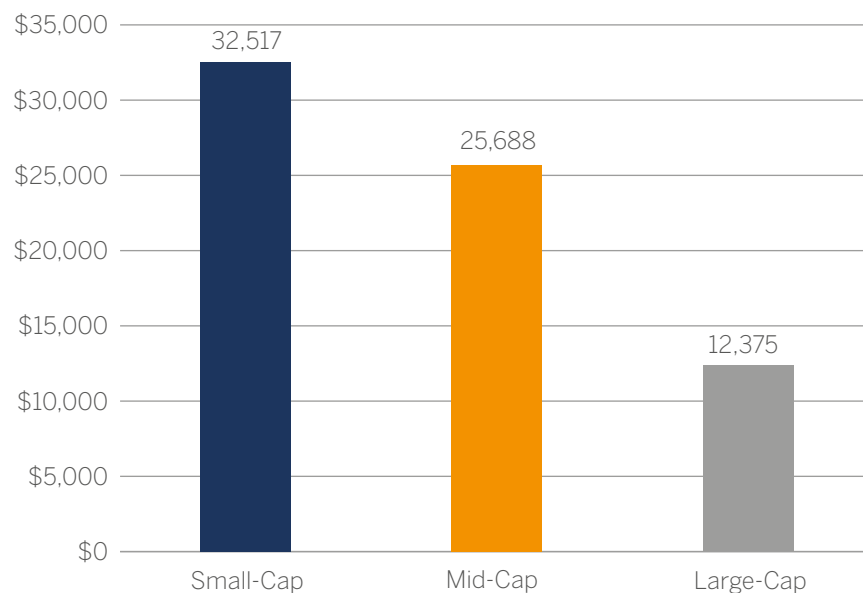
## Introduction to Brown Advisory US Smaller Companies PLC *(continued)*

### Why invest in US smaller companies?

- US-based smaller companies include an exciting and dynamic group of growing businesses that typically demonstrate high innovation and strong entrepreneurial cultures.
- Over half of global smaller companies – more than 2,000 companies – are listed in the US, creating a huge opportunity.
- US smaller companies offer a deep and liquid market but are typically not as well covered by sell-side research analysts as their larger counterparts, creating inefficiencies and missed opportunities that Brown Advisory aims to exploit.
- A US stock market listing means there are high governance hurdles relative to some of their global peers, considerably reducing the risk profile of US smaller companies.

### Over the long-term, small and mid-caps have outperformed large-cap companies

\$1 invested at 31/12/1925 as of 12/03/2023



Source: Furey Research Partners, FactSet, CRSP, Ibbotson; as at 31/03/2023.

*Past performance is not a guarantee of future performance and investors may not get back the amount invested.*

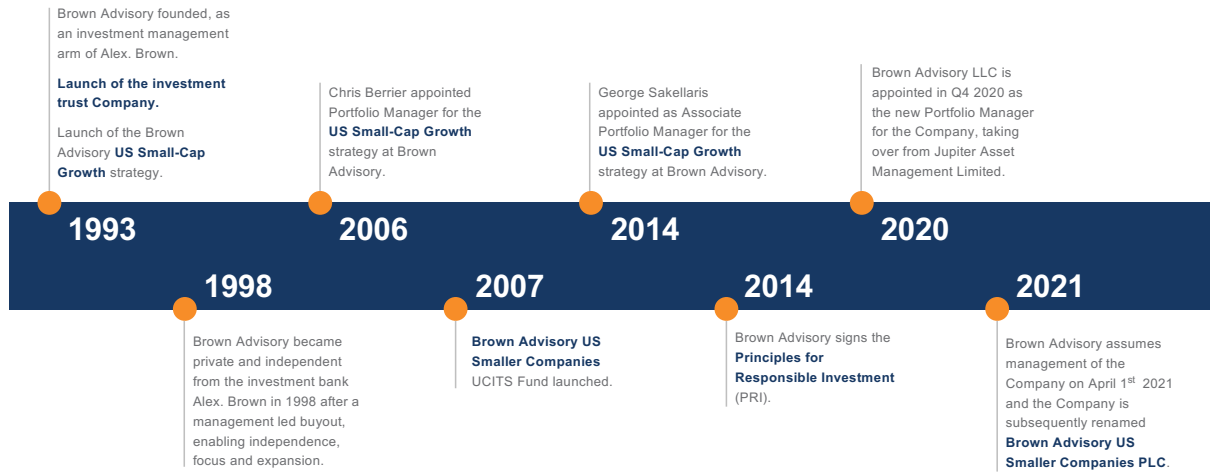
### Why have the directors of Brown Advisory US Smaller Companies PLC appointed Brown Advisory as the Portfolio Manager?

Chris Berrier and George Sakellaris, CFA, the portfolio leads between them have more than 44 years' experience investing in US small and mid-caps and are supported by a large team of fundamental, investigative and environmental, social and governance (ESG) analysts. Based in the US, the team have direct access to the companies in which they invest.

Brown Advisory has more than 25 years' experience of investing in small and medium-sized companies in the US and within its broader US Small-Cap Growth strategy it manages \$6.6bn\*. The firm benefits from an extensive network of venture capital, private equity and corporate relationships, which helps provide a strong overview of the broader small to mid-sized company market.

\*As at 30/06/2023

## Introduction to Brown Advisory US Smaller Companies PLC *(continued)*



Brown Advisory believes that disciplined, bottom-up research, coupled with teamwork and the free exchange of ideas amongst colleagues, are the keys to achieving long-term outperformance. The combination of its investment philosophy and its client-first culture were important factors in the Board's decision to appoint Brown Advisory as the Company's Portfolio Manager.



# Investment Objective, Investment Policy and Benchmark Index

## Investment Objective

The Company's objective is to achieve long-term capital growth by investing in a diversified portfolio consisting primarily of quoted US smaller and medium-sized companies.

## Investment Objective, Investment Policy and Benchmark *(continued)*

### Investment Policy

The Portfolio Manager takes a disciplined approach to investment, emphasising long-term risk-adjusted returns. The Portfolio Manager believes that the US smaller and medium-sized company sector is a diverse and dynamic part of the North American market and continues to provide opportunities for capital growth over the long term. The sector is highly diversified with a great many companies from which to choose. Many companies are relatively immature, whether financially or operationally or in terms of management or market position. They tend to be highly geared to growth and are particularly vulnerable to market and other changes.

Against this background, the Company has adopted an investment style that focuses on companies with durable growth, scalable go-to-market strategies and well-aligned management and shareholder interests, and whose shares are considered by the Portfolio Manager to offer above-average capital growth at attractive valuations. The Portfolio Manager believes that this is an excellent approach to long-term investment in this sector.

### Investment Limits

The Board has prescribed limits on the investment policy, including:

- The Portfolio will comprise at all times a minimum of 40 securities (excluding cash);
- No single holding shall constitute more than 5% of total assets at the time of investment;
- No derivative instruments (excluding warrants) may be held without the prior approval of the Board;
- Investments in unlisted securities shall not exceed 5% of total assets at the time of investment and any such investments shall require prior Board approval;
- The Company shall not make any new investments in other UK listed investment companies;
- In any event, not more than 10% in aggregate of the total assets of the Company, and any of its subsidiaries, may be invested in other closed-ended investment funds (including listed investment trusts) whether or not such funds have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds (including listed investment trusts);
- Borrowings, including overdraft facilities, shall not exceed 20% of the Company's total assets and shall require prior Board approval;
- The Company shall not take legal or management control over any investments in its portfolio.

### Benchmark Index

Sterling adjusted Russell 2000 Total Return Index (the 'benchmark').

THE COMPANY IS A MEMBER OF THE





## Strategic Report

### Financial Highlights for the year ended 30 June 2023

#### Ordinary Share Performance

	30 June 2023	30 June 2022	% change
Net asset value (pence) <sup>1</sup>	1,431.9	1,303.9	+9.8
Closing price (pence)	1,220.0	1,105.0	+10.4
Russell 2000 Total Return Index (sterling adjusted)	7,860.0	7,308.5	+7.5
Discount to net asset value (%) <sup>1</sup>	(14.8)	(15.3)	-
Ongoing charges ratio (%) <sup>1</sup>	1.00	0.97	-

#### Ten year record

Year ended 30 June	Net assets £'000	Net asset value per Ordinary share p	Year- on-year change in net asset value per Ordinary share %	Year- on-year change in Benchmark Index %
2014	164,957	686.3	+11.0	+9.8
2015	174,033	724.1	+5.5	+15.8
2016	174,163	787.3	+8.7	+9.7
2017	181,687	911.1	+15.7	+28.2
2018	163,339	1,103.4	+21.1	+15.7
2019	161,520	1,152.7	+4.5	+0.3
2020	145,011	1,116.3	-3.2	-3.8
2021	181,426	1,516.3	+35.8	+45.1
2022	155,840	1,303.9	-14.0	-15.2
2023	171,147	1,431.9	+9.8	+7.5

<sup>1</sup> For definitions of the above Alternative Performance Measures please refer to the Glossary of Terms on pages 84 and 85.

## Chairman's Statement

### Dear Fellow Shareholder

I am pleased to report that for the year ended 30 June 2023, your Company's net asset value (NAV) per share rose from 1,303.9p to 1,431.9p, an increase of 9.8%. This compares favourably with the 7.5% gain in the Company's benchmark, the sterling adjusted Russell 2000 Total Return Index, over the same period. It was encouraging to see the US smaller company sector generate a positive return again after a very disappointing performance in the previous year, even if it still lagged those of its larger peers, the S&P500 and the tech-heavy Nasdaq.

Over the twelve months under review, the Company's share price rose from 1,105.00p to 1,220.00p, an increase of 10.4%. This resulted in a small narrowing of the discount to NAV from 15.3% on 30 June 2022 to 14.8% on 30 June 2023. No shares were bought in or issued during the year, as touched on below.

### Market Review

In the first nine months of our financial year, US equity markets lost ground. The geopolitical background worsened as China/US relations deteriorated and the war in Ukraine ground on with no signs of resolution. Supply chain problems remained an issue, while at home in the US the inflation numbers continued to come in stubbornly above expectations. This persuaded the Federal Reserve to stick firmly to its policy of raising interest rates to rein in inflation. Despite the Federal Reserve's actions, the US economy continued to hold up well, supported by better-than-expected employment numbers and by the willingness of consumers to spend savings accumulated during the pandemic. Corporate results were also largely positive. Unsurprisingly, with interest rates rising sharply, merger and acquisition activity fell off, and with many investors preferring to sit on the side-lines and merely add to their money market funds, volumes on the exchanges dwindled. For much of this period, as interest rates rose there was some rotation within the markets back towards more 'value' stocks and away from the highly rated names, notably those in tech, that had led the earlier bull market. The smaller company asset class followed a similar trend.

However, the mood changed in the last four months of our financial year as a potential financial crisis erupted in the regional banks. With rising interest rates encouraging depositors to look elsewhere for higher yields, several regional banks suffered significant outflows of liquidity, which could only be met through realising their loan and bond portfolios at a loss. Most notable of these was Silicon Valley Bank which effectively collapsed. Only through swift action by the authorities with injections of liquidity and takeovers by stronger peers was the turmoil brought to heel. Given the potential risks to the economy from such a situation, bond yields eased again as investors speculated on whether the peak in rates was nearing, despite continuing Federal Reserve rhetoric to the contrary. With hopes of an imminent peak in interest rates and news on the economy remaining generally positive, the stock market enjoyed another lift in the run up to our financial year end. That said, the major winners were again the narrow group of technology mega-caps that had led the market before, rather than the broader market or the smaller company asset class.

Over the year, in US dollar terms, the Russell 2000 Index returned 12.3%, the S&P 500 returned 19.6% and the Nasdaq Composite returned 26.1%. Although the pound suffered a weak patch last autumn at the time of the unsettling changes in British Prime Minister, it recovered thereafter to end the financial year slightly higher, thus eroding some of the equity market gains for sterling-based investors.

### Portfolio Manager and Continuation Vote

A more detailed coverage of the development of the US smaller company sector over the past twelve months and our activity and performance is included in the Portfolio Manager's Review on pages 12 to 14.

As I mentioned in our most recent half yearly report, the Board was pleased in October to visit the Baltimore offices of our Portfolio Manager, Brown Advisory, and to review in detail with Chris Berrier and his team their investment process and strengthen our knowledge of the

## Chairman's Statement *(continued)*

portfolio. The visit gave us an enhanced insight into the investment operations in Baltimore.

Between 31 March 2021, the date on which Brown Advisory took over the management of the portfolio, and 30 June 2023, a mixed period for markets, the decline in the Company's NAV was held at 1.6%, compared to a negative return of 4.9% from the Company's benchmark over the same period.

In accordance with the three-year cycle prescribed in the Company's Articles of Association, there will be a continuation vote at this year's Annual General Meeting (AGM) (please see AGM details below). The Board has considered the Company's investment remit, strategy, performance and ongoing viability and believes that the Company's offering remains attractive. Accordingly, the Board strongly recommends that shareholders vote in favour of the continuation of the Company in its present form, which as fellow shareholders they will be doing themselves.

### Revenue and Capital Returns

The net gain per Ordinary share was 128.07p, split (6.82p) to Revenue and 134.89p to Capital. Dividend income was higher as some companies raised pay-outs again as confidence returned and interest income benefited from the rise in rates. With management expenses broadly unchanged, the net revenue loss was thus marginally lower. We still believe it appropriate to allocate all expenses to the Revenue account. No distributable revenue is available for the payment of dividends.

### Share Price and Discount

After careful consideration, the Board has amended the Company's share buyback policy that has been in place for several years. The revised policy will see the Board committed to using share buybacks with the aim of reducing discount volatility and working to reduce any discount should it become significantly wider than those of similar investment trusts. It believes this to be in shareholders' interests. In determining whether to buy back shares, the Board will consider, amongst other factors, and at its discretion, the size of the Company, general

market conditions and sentiment, the liquidity in the shares and discounts in the investment trust sector overall.

Alongside this share buyback policy, the Board believes that the Company's discount will also be driven by demand for the Company's shares, reflecting its long-term investment performance, its relevance to investors, the appropriate marketing of the Company and general market conditions.

Given the continuing volatility in markets during the period under review and to allow further time for our Portfolio Manager to build and market its performance record, we considered it inappropriate to buy in any shares in this period.

As at 30 June 2023, the number of shares held in treasury was unchanged at 6,271,254 and the total number in public hands was also unchanged at 11,952,159.

### Gearing

As an investment trust, the Company may use gearing for investment purposes to enhance returns. However, over the past year the Board, taking into consideration the views of the Portfolio Manager regarding investment opportunities and outlook, did not feel it appropriate to deploy gearing given the continuing unsettled geopolitical and economic background and resultant market volatility. Should conditions improve and the outlook become more certain, the Board will review its decision to gear, as it is mindful that the ability to gear to enhance returns is considered one of the advantages of a closed-end vehicle.

### Environment, Social and Governance ('ESG')

The Board has continued to engage with the Portfolio Manager on ESG matters. Governance has been a key focus within the Portfolio Manager's investment process for many years and it uses its regular meetings with management to discuss and challenge them on their adherence to best practice. Further information on the Portfolio Manager's approach to ESG matters is set out in the ESG Report on page 24.

## Chairman's Statement *(continued)*

### Board Composition

In our half yearly report, I noted that we would be looking for a replacement non-executive director for Tina Soderlund-Boley, who had accepted a senior position at a Swedish real estate investment company. In view of the time commitments required by this role, Tina decided to step down from the Board once a replacement non-executive director had been appointed. This she did at the end of June. I should like to thank Tina for her outstanding contribution to the Company over the past three years and wish her every success for the future.

I was therefore pleased to announce in March that, with the help of search firm Nurole Limited, we had appointed Jane Routledge as a replacement independent non-executive director with effect from 1 April. Jane is a non-executive director of M&G Credit Income Investment Trust plc, having previously had a long career in the investment management sector, holding several senior marketing positions, including at Schroders, Invesco, Hermes and Seven Investment Management. Her considerable marketing knowledge and experience in this field will be of great use to the Board.

As a result of Tina's resignation, the Board has revisited its succession planning arrangements. Previously, the Board had anticipated that Tina would replace Clive Parritt as Senior Independent Director (SID) at this year's AGM when Clive was due to retire. The Board believes that Jane Routledge has all the necessary skills for this role, and she has agreed that, after allowing for a period of getting to know the Company, she will become SID on 1 April 2024.

In view of this, we have asked Clive Parritt to stay on the Board for a further period in order to help smooth the transition. He will retire during 2024 as Jane takes on the role of SID. Although a long-standing Board member, we deem Clive to be independent and the Company has benefited hugely from his continuity, knowledge and experience. The Board believes that it is in the interests of shareholders that he be re-elected for this period.

In February, Jasper Judd took on the role of audit chair from Lisa Booth. My thanks again to Lisa for her work as previous audit chair and her help in organising a very smooth handover, as well as to Jasper for taking on his new role. All five directors will be representing themselves at the AGM.

Finally, as part of our refreshment of the Board and ahead of next year when both Clive and Lisa will be stepping down, we will begin a new search for a fourth independent non-executive director. Going forward, we expect the size of the Board to oscillate between four and five members.

The Board is aware of the FCA's Diversity and Inclusion Policy and notes and supports their targets. Accordingly, two out of the five non-executive directors presenting themselves at the forthcoming AGM are female, while one of the three senior positions will be occupied by a female when Jane becomes Senior Independent Director early next year. As the Board going forward will only comprise four to five members, it may not be big enough for us to ensure that at least one member will be from a minority ethnic background. That said, we look to create and maintain a Board that has the correct mix of skills, diversity of thought and a collegiate culture drawn from as wide a range of sources as possible.

### Annual General Meeting

This year's AGM will be held on Monday, 6 November 2023 at 2.00pm at the offices of Brown Advisory, 18 Hanover Square, London W1S 1JY. It will include a short presentation via video-link by Chris Berrier, covering the performance of the Company over the past year as well as his outlook for the future. The Board and Portfolio Manager would welcome questions which shareholders may submit to: [InvestmentTrustEnquiries@brownadvisory.com](mailto:InvestmentTrustEnquiries@brownadvisory.com). Subject to confidentiality, we will respond to any questions submitted either directly or by publishing our response on the Company website.

Electronic proxy voting is now available, and shareholders are encouraged to submit voting instructions using the web-based voting facility [www.eproxyappointment.com](http://www.eproxyappointment.com) and [www.proxymity.io](http://www.proxymity.io) for institutional shareholders.

## Chairman's Statement *(continued)*

In order to use electronic proxy voting, shareholders will require their shareholder registration number, control number and pin. If you do not have access to these details please contact the Company's Registrar, Computershare, whose details can be found on page 80 of this report.

Notice of the AGM, containing full details of the business to be conducted at the meeting, is set out on pages 86 and 87 of this report.

### Shareholder Communications

The Board encourages shareholders to visit the Company website ([www.brownadvisory.com/basc](http://www.brownadvisory.com/basc)) for the latest information, podcasts and monthly factsheets.

### Outlook

So far in 2023, both the US economy and the US stock market have defied expectations on the upside. Despite major headwinds comprising a huge jump in interest rates, persistent inflation, the depletion of pandemic era savings, concerning geopolitical tensions and a minor regional banking crisis, the US consumer has remained resilient and continued to drive the American economy. As a result, the recession forecast by many a year ago has failed so far to materialise. The stock market has responded positively, and it has been supported further by hopes that the peak in interest rates is within sight.

Given the market's rise to date, some setback should not, of course, be ruled out. While the Federal Reserve may have paused its rate increases in June, this was done merely in order to take stock and assess the impact so far. With the resilience of the economy and still high inflation numbers, the trajectory for interest rates remains upwards in view of the Federal Reserve's determination to bring inflation back into its target range. The difficulty for the Federal Reserve is in determining at what point the rise in rates will achieve this, without putting the economy severely at risk. With the Federal Reserve putting inflation restraint before economic activity, there is a risk that investors underestimate the extent and duration of tightening potentially to come. At the same time, the geopolitical concerns

remain, the economy may slow if the consumer finally becomes more cautious and corporate earnings may be impacted.

As we look further out, we become more optimistic. We expect the Federal Reserve's tough medicine to work and for the inflation numbers as we enter the autumn to trend lower, allowing interest rates to ease back too. Although possibly somewhat softer, we still expect the domestic US economy to hold its own, with demand supported by recent wage growth and still high levels of employment. We see this as a generally favourable background for the US smaller company sector which should again draw investors given its attractive valuations and extended period of underperformance relative to its larger peers. Any period of weakness in the short-term will thus be welcome and offer our Portfolio Manager the opportunity to add to positions at attractive prices, having cash on hand and the ability to gear.

**Stephen White**

15 September 2023



## Portfolio Manager's Review

### Performance review

During the year ended 30 June 2023, the Company's NAV increased by 9.8%, compared to the benchmark Russell 2000 Index return of 7.5%.

Overall, we are pleased with the Company's absolute and relative returns over the last financial year, representing a solid rebound from the challenging market conditions experienced toward the end of 2021 and most of 2022. Our emphasis on quality has certainly helped results more recently. However, we see this condition as temporary considering current economic and market dynamics. If current conditions persist, we think there could be an increased reliance on idiosyncratic successes to drive relative outperformance. Nonetheless, our overall approach remains steady as we continue to wait patiently for opportunities to introduce new ideas and increase our investment in a select group of existing portfolio holdings.

### Portfolio review

For the twelve-month period, the largest absolute contributors to the Company's overall performance were the information technology, healthcare and industrials sectors. However, on a relative basis, the financials sector was the primary driver as our eclectic list of holdings outperformed the bank-laden benchmark. Consumer discretionary and industrials saw relative weakness due to their comparative lack of cyclicity.

At the individual stock level, EVO Payments, ChampionX Corporation and Workiva were the strongest contributors. EVO Payments Inc, which operates a global merchant acquirer and payment processor servicing company, entered into a definitive agreement to be acquired by Global Payments for \$34 per share in an all-cash transaction. ChampionX Corporation is a chemicals company specializing in delivering solutions that optimize the extraction and drilling



EVO Payments Inc, which operates a global merchant acquirer and payment processor servicing company, was the top contributor to performance over the period after entering into a definitive agreement to be acquired by Global Payments. Indeed a substantial amount of the turnover in the portfolio this year can be attributed to positive M&A activity.

## Portfolio Manager's Review *(continued)*

of oil and gas. The company continues to benefit from the positive energy cycle, breathing new life into a new capital deployment strategy that includes both dividends and share repurchases – at the end of 2022 the company committed to returning more than 60% of free cash flow to shareholders going forward. Workiva Inc. provides a cloud-based software platform that enables organisations to collect and analyse data for compliance and management reporting. The company is seeing continued improvement in profitability both in the short and long-term. There have also been rumours that the company may be garnering interest from private equity suitors.

The negative side of the ledger included Clarus Corporation, Azenta Inc. and BlackLine Inc. Clarus Corporation, a manufacturer of outdoor sporting equipment, was the victim of inventory rationalization at several national account customers, which prompted them to lower their forecast of future profits. Azenta Inc. provides gene sequencing and gene synthesis services and

develops automated ultra-cold storage systems. The company lowered its full year profitability guidance due to a weaker than anticipated rebound in what we view as a highly profitable product category. BlackLine Inc. provides cloud-based solutions for accounting and finance operations. It has recently announced a CEO transition that has prompted investor concerns around its product roadmap and go-to-market strategy.

There were roughly an equal number of additions and deletions to the portfolio over the twelve-month period. A substantial amount of the portfolio turnover was due to M&A activity and our desire to eliminate positions where our investment thesis appeared violated or we believed a poor risk/reward dynamic necessitated a redeployment of capital. For example, Biohaven Pharmaceutical Holdings, CMC Materials, EVO Payments, IAA Inc., ManTech International Corporation, and Terminex were all acquired. Catalent, Nevro Corp, and Progyny were situations that fell into the latter



We believe Workiva, Inc., a SaaS (software-as-a-service) company operating globally to provide cloud-based compliance and reporting functionality, can continue to show strong operating leverage as they develop their international sales and marketing and channel partner investments. Shares in the company jumped during the period amidst rumours of acquisition interest.

## Portfolio Manager's Review *(continued)*

bucket. We were pleased that the team was able to re-deploy the vast majority of the proceeds into a diverse collection of businesses that we hope to own for the next several years.

### A thought on investing

Investment management is a straightforward, yet challenging profession. Success hinges upon an empirically derived philosophy, a committed team with clear roles, a culture fostering open and honest communication, and decisive actions informed by collected data and evidence. Time, attention and energy should be allocated towards analysing and refining the investment process – the controllable aspect – rather than towards the outcomes. Learning and growth should be the focus of both investment successes and failures.

Unlike more predictable professions, where following certain procedures guarantees certain outcomes, investing demands similarly precise methods but success is never guaranteed. We would all prefer it to be straightforward.

Legendary NFL coach Bill Parcells once said, "You are what your record says you are." While football teams are judged by a season, investment teams should be assessed over an "investment cycle." A 3- to 5-year investment record represents a culmination of all the bottom-up capital allocation decisions made during this time. We make numerous decisions every day, guided by one primary thought: what potential action is most likely to benefit long-term returns? As such, we must always consider any factors that might distort or obscure our perspective.

Being aware of our human fallibility, we foster a collaborative investment-decision-making process. Each of us is influenced by several behavioural or cognitive biases such as anchoring, authority, confirmation, disposition effect, egocentricity, endowment effect, familiarity, framing, hindsight, loss aversion, mental accounting, narrative bias, overconfidence, recency, and survivorship.

### Conclusion

*"Toto, I've a feeling we're not in Kansas anymore." – Dorothy, The Wizard of Oz*

Much like Dorothy's transition from Kansas to the fantastical Land of Oz, we too have been transported to a different world in the equity markets. The last decade has seen zero interest rate policy (ZIRP), a global pandemic, a surge in inflation and a dramatic policy reversal by the Federal Reserve. The advent of passive capital (index funds, ETFs, etc.) has further altered the structure of the stock market.

This journey has led to dramatic changes in investment sentiment, capital flows, and market leadership. Our portfolio's active share is high, which can cause significant shifts in short-term relative performance. Despite an interesting investment environment in the first half of 2023, our core elements have stood the test of time over the last 17+ years and will continue to guide us in the future. We anticipate volatility will remain prevalent and intend to leverage it to our advantage. We remain pleased with our long-term performance and will strive to continue to drive solid risk-adjusted returns going forward.

### Portfolio Manager

Brown Advisory LLC  
15 September 2023

## Twenty Largest Equity Holdings as at 30 June 2023

Company	Sector	30 June 2023		30 June 2022	
		Market value £'000	Percentage of Portfolio	Market value £'000	Percentage of Portfolio
<p><b>Waste Connections</b> Waste Connections, Inc. provides non-hazardous solid waste collection services for commercial, industrial, and residential customers. The company offers collection, landfill disposal, and recycling services for various recyclable materials, including compost, cardboard, office paper, plastic containers, glass bottles, and ferrous and aluminium metals.</p>	Industrials	6,255	3.9	5,611	3.8
<p><b>Bright Horizons Family Solutions</b> Bright Horizons Family Solutions Inc. provides childcare and early education services as well as other services designed to help employers and families to better address the challenges of work and life. The company provides services primarily under multi-year contracts with employers who offer childcare and other dependent care solutions as part of their employee benefits packages.</p>	Consumer Discretionary	5,086	3.2	4,054	2.7
<p><b>Casey's General Stores</b> Casey's General Stores, Inc. operates convenience stores in the Midwest. The company offers food, beverages, tobacco products, health and beauty aids, automotive supplies, and other non-food items, as well as selling gasoline.</p>	Consumer Staples	4,050	2.6	3,581	2.4
<p><b>SPDR S&amp;P Biotech ETF</b> SPDR S&amp;P Biotech ETF is an exchange-traded fund incorporated in the US. The Fund seeks to replicate the performance of the S&amp;P Biotechnology Select Industry Index, an equal-weighted index. The index tracks all the US common stocks listed on the NYSE, American Stock Exchange, NASDAQ National Market and NASDAQ Small Cap exchanges.</p>	Biotechnology	4,003	2.5	–	–
<p><b>Abcam</b> Abcam plc operates as a biotechnology company. The Company offers diagnosis, research, and therapeutic solutions. Abcam services patients worldwide.</p>	Healthcare	3,823	2.4	1,219	0.8



## Twenty Largest Equity Holdings as at 30 June 2023 (continued)

Company	Sector	30 June 2023		30 June 2022	
		Market value £'000	Percentage of Portfolio	Market value £'000	Percentage of Portfolio
<p><b>Genpact</b> Genpact Limited designs and runs business operations to manage risk and compliance. The Company focuses on the areas of finance and procurement, financial services account servicing, claims management, regulatory affairs and industrial asset optimization. Genpact operates worldwide.</p>	Information Technology	3,794	2.4	5,943	4.0
<p><b>Dynatrace</b> Dynatrace, Inc., through its subsidiaries, develops software intelligence platforms for the enterprise cloud. Its software intelligence platforms allow customers to modernize and automate IT operations, develop and release high quality software faster and improve user experiences for better business outcomes.</p>	Information Technology	3,742	2.4	2,521	1.7
<p><b>Prosperity Bancshares</b> Prosperity Bancshares, Inc. is the holding company for Prosperity Bank. The Bank attracts deposits from the general public and uses those funds to originate a variety of commercial and consumer loans. Prosperity Bank operates in the greater Houston metropolitan area and neighbouring counties in Texas.</p>	Financials	3,633	2.3	4,446	3.0
<p><b>ChampionX</b> ChampionX Corporation provides energy solutions. The company focuses on upstream and midstream oilfield technology such as chemistry programs and drilling activities. ChampionX serves customers worldwide.</p>	Energy	3,498	2.2	968	0.6
<p><b>HB Fuller</b> H.B. Fuller Company manufactures and markets adhesives, sealants, coatings, paints and other specialty chemical products worldwide. The company's products are sold in countries that include North America, Europe, Latin America, the Asia Pacific region, India, the Middle East, and Africa.</p>	Materials	3,091	1.9	2,562	1.8



## Twenty Largest Equity Holdings as at 30 June 2023 *(continued)*

Company	Sector	30 June 2023		30 June 2022	
		Market value £'000	Percentage of Portfolio	Market value £'000	Percentage of Portfolio
<b>HealthEquity</b> HealthEquity, Inc. provides technology-enabled services platforms that allow consumers to make healthcare saving and spending decisions. The company enables consumers to access their tax-advantaged healthcare savings, compare treatment options, pay healthcare bills, receive personalised benefit and clinical information and earn wellness incentives.	Healthcare	3,044	1.9	2,633	1.8
<b>Workiva</b> Workiva Inc. provides cloud-based and mobile-enabled platforms for enterprises. The company offers software to collect, manage, report and analyse business data in real time.	Information Technology	2,945	1.9	2,538	1.7
<b>Pinterest 'A'</b> Pinterest, Inc. operates and maintains a social networking site. The Company provides an online platform that helps users gather ideas on oddities, decorations, places to visit, recipes and other items. Pinterest serves customers worldwide.	Communication Services	2,905	1.8	–	–
<b>MSA Safety</b> MSA Safety Inc. develops, manufactures and supplies safety products that protect people and facility infrastructures. The company's core products include self-contained breathing apparatus, fixed gas and flame detection systems, portable gas detection, head protection and fall protection products.	Industrials	2,900	1.8	1,824	1.2
<b>Rentokil Initial, American Depositary Receipt</b> Rentokil Initial plc provides fully integrated facilities management and essential support services to government and commercial sector organisations of all sizes across all business sectors. The Company provides services in pest control, hygiene, workwear, facilities and plants.	Industrials	2,878	1.8	–	–

## Twenty Largest Equity Holdings as at 30 June 2023 *(continued)*

Company	Sector	30 June 2023		30 June 2022	
		Market value £'000	Percentage of Portfolio	Market value £'000	Percentage of Portfolio
<b>Quaker Chemical</b> Quaker Chemical Corporation, trading as Quaker Houghton, produces, develops and markets industrial chemical products. The Company offers heat treatment, metal forming, forging and tin plating fluids, as well as cleaners, casting lubricants, greases, ground control agents and metal rolling oils. Quaker Houghton serves customers globally.	Materials	2,834	1.8	2,246	1.5
<b>Entegris</b> Entegris, Inc. provides materials management products and services to the microelectronics industry on a worldwide basis. The company provides products such as wafer shippers, wafer transport and process carriers, pods and work-in-process boxes. Entegris also provides chemical delivery products such as valves, fittings, tubing, pipe and containers.	Information Technology	2,831	1.8	2,127	1.4
<b>Neurocrine Biosciences</b> Neurocrine Biosciences, Inc. is focused on the discovery and development of therapeutics for neuropsychiatric, neuroinflammatory and neurodegenerative diseases and disorders. The Company is developing therapeutic interventions for anxiety, depression, Alzheimer's disease, insomnia, stroke, malignant brain tumours, multiple sclerosis, obesity and diabetes.	Healthcare	2,778	1.8	2,970	2.0
<b>EastGroup Properties, REIT</b> EastGroup Properties, Inc. is an equity real estate investment trust. The trust acquires and develops industrial properties in major sunbelt markets throughout the US with a special emphasis in the states of California, Florida, Texas and Arizona.	Real Estate	2,761	1.7	2,466	1.7
<b>Mister Car Wash</b> Mister Car Wash, Inc. operates as a car wash company. The Company offers car exterior and interior cleaning services. Mister Car Wash serves customers in the US.	Consumer Discretionary	2,749	1.7	–	–
<b>Total</b>		<b>69,600</b>	<b>43.8</b>		

The value of the twenty largest holdings represents £69.6 million (2022: £70.2 million) and 43.8% (2022: 47.5%) of the Company's total investments.

## List of Investments

as at 30 June 2023

Company	Industry	Market value £'000	Percentage of Portfolio
<b>Biotechnology* 3.5%</b> <b>(2022: 0%)</b>			
SPDR S&P Biotech ETF	ETF which seeks to track the performance of S&P Biotechnology Select Industry Index.	4,003	2.5
Karuna Therapeutics	Operates as a clinical-stage biopharmaceutical company. Engages in business of research and development.	1,671	1.0
		<b>5,674</b>	<b>3.5</b>
<b>Communication Services* 4.5%</b> <b>(2022: 3.9%)</b>			
Pinterest A	Social networking site where ideas on oddities, decorations, places to visit, recipes and other items are gathered.	2,905	1.8
Cogent Communications Holdings	Internet service provider	1,947	1.2
Take-Two Interactive Software	Publisher, developer and distributor of video games	1,539	1.0
Angi	Digital market place for home services	791	0.5
		<b>7,182</b>	<b>4.5</b>
<b>Consumer Discretionary* 11.7%</b> <b>(2022: 13.7%)</b>			
Bright Horizons Family Solutions	Childcare and early education services	5,086	3.2
Mister Car Wash	Engages in the provision of exterior and interior car cleaning services	2,749	1.7
Churchill Downs	Gaming entertainment company	2,666	1.7
TopBuild	Insulation and other building products	1,524	1.0
Choice Hotels International	Hotel franchisor	1,520	1.0
XPEL	The manufacture and distribution of automotive products	1,081	0.7
Leslie's	Swimming pool supplies and related products	1,039	0.6
Clarus	Industrials	975	0.6
MakeMyTrip	Travel services provider over the internet	822	0.5
Vizio Holding A	Designer and manufacturer of consumer electronics through its subsidiaries	659	0.4
First Watch Restaurant Group	Restaurant chain	477	0.3
		<b>18,598</b>	<b>11.7</b>

**List of Investments** *(continued)*

Company	Industry	Market value £'000	Percentage of Portfolio
<b>Consumer Staples* 3.7% (2022: 3.6%)</b>			
Casey's General Stores	Convenience store chain	4,050	2.6
Simply Good Foods	Nutritional foods and snacking products	1,719	1.1
		<b>5,769</b>	<b>3.7</b>
<b>Energy* 5.0% (2022: 1.9%)</b>			
ChampionX	Provider of chemistry programs and services for global upstream oil and natural gas industry	3,498	2.2
Denbury	Oil and natural gas company which acquires, develops, operates and explores oil and gas properties.	2,569	1.6
Cactus A	Manufacturer of control equipment	1,853	1.2
		<b>7,920</b>	<b>5.0</b>
<b>Financials* 2.8% (2022: 3.0%)</b>			
Prosperity Bancshares	Provision of financial products and solutions	3,633	2.3
Houlihan Lokey A	The provision of investment banking services. It operates through the following segments: corporate finance, financial restructuring and financial and valuation advisory.	879	0.5
		<b>4,512</b>	<b>2.8</b>
<b>Healthcare* 20.2% (2022: 22.7%)</b>			
Abcam	Biotechnology company that offers diagnosis, research and therapeutic solutions	3,823	2.4
HealthEquity	Service platforms that allow consumers to make healthcare saving and spending decisions	3,044	1.9
Neurocrine Biosciences	Biopharmaceutical company that focuses on therapeutics for neuropsychiatric, neuroinflammatory and neurodegenerative diseases and disorders	2,778	1.8
Bruker	Scientific instruments for molecular and materials research	2,674	1.7
Encompass Health	Inpatient rehabilitative healthcare services	2,620	1.6
SI-BONE	Implantable devices used in the surgical treatment of the sacropelvic anatomy	2,521	1.6
Establishment Labs Holdings	Devices for aesthetic and reconstructive plastic surgery	2,499	1.6
NeoGenomics	Cancer diagnostics and pharmaceutical services company	2,388	1.5

**List of Investments** *(continued)*

<b>Company</b>	<b>Industry</b>	<b>Market value £'000</b>	<b>Percentage of Portfolio</b>
Accolade	Software solutions that help people better understand, navigate and utilise the healthcare system	2,076	1.3
Inari Medical	Innovative catheter-based technologies for the treatment of venous thromboembolism	1,719	1.1
Agilon Health	Provider of healthcare platform	1,657	1.0
OrthoPediatics	Orthopaedic implants and instruments for paediatric orthopaedic surgeons	1,630	1.0
Ascendis Pharma, ADR	Pharmaceutical products for the treatments of growth hormone deficiency, endocrinology, central nervous system disorders, infectious diseases and diabetes	940	0.6
Blueprint Medicines	Biomedical treatments	939	0.6
Alignment Healthcare	Consumer-centric platform delivering customized healthcare	562	0.3
Arvinas	Clinical-stage biotechnology company creating a new class of drugs	251	0.2
		<b>32,121</b>	<b>20.2</b>
<b>Industrials* 19.5% (2022 16.9%)</b>			
Waste Connections	Waste management services Company	6,255	3.9
MSA Safety	Manufacturer of safety products	2,900	1.8
Rentokil Initial, ADR	The provision of business support services. The firm's products and services protect people from pest-borne disease and the risks of poor hygiene	2,878	1.8
Woodward	Control systems and components for aircraft engines	2,680	1.7
FTI Consulting	Business advisory firm	2,175	1.4
Valmont Industries	Poles, towers and structures for lighting, communication and utility markets	2,170	1.4
John Bean Technologies	Technology solutions for industrial food processing	1,956	1.2
Zurn Elkay Water Solutions	Offers a range of advanced water system solutions	1,762	1.1
AZEK	Outdoor living products manufacturer	1,366	0.9
Clear Secure A	Provides a technology platform which enables frictionless and safe journeys using biometric identity.	1,354	0.9
Casella Waste Systems A	Waste management company	1,208	0.8



**List of Investments** *(continued)*

<b>Company</b>	<b>Industry</b>	<b>Market value £'000</b>	<b>Percentage of Portfolio</b>
Mueller Water Products A	Manufacture and sale of products used in the transmission, distribution and measurement of water	1,182	0.7
Knight-Swift Transportation Holdings	Transportation and logistics services	1,011	0.6
IDEX	Engineered industrial products and technology	960	0.6
SiteOne Landscape Supply	Wholesale distributor of landscape supplies	848	0.5
CCC Intelligent Solutions Holdings	Cloud-based software as a service (SaaS) platform connects trading partners, facilitates commerce and supports mission-critical, artificial intelligence-enabled digital workflows	301	0.2
		<b>31,006</b>	<b>19.5</b>
<b>Information Technology* 23.3% (2022: 28.7%)</b>			
Genpact	Business process management services	3,794	2.4
Dynatrace	Software intelligence platform based on artificial intelligence	3,742	2.4
Workiva	Cloud-based enterprise software	2,945	1.9
Entegris	Materials-management products and services to the microelectronics industry	2,831	1.8
WEX	Payment processing and information management services	2,519	1.6
Blackline	Cloud-based enterprise software	2,468	1.5
Phreesia	Healthcare software	2,344	1.5
Bentley Systems B	Infrastructure engineering software company	2,276	1.4
Power Integrations	Supplier of high-voltage Analog integrated circuits	2,275	1.4
Littelfuse	Circuit protection products for the electronics, automotive and electrical industries	2,085	1.3
Envestnet	Wealth management technology and products	1,814	1.1
PROS Holdings	Price optimisation, sales improvement, opportunity detection and revenue management software	1,759	1.1
Curtiss-Wright	A global integrated business that provides engineered products, solutions, and services mainly to the aerospace and defence markets	1,567	1.0

**List of Investments** *(continued)*

<b>Company</b>	<b>Industry</b>	<b>Market value £'000</b>	<b>Percentage of Portfolio</b>
Infinera	Digital optical telecommunications equipment	1,437	0.9
Definitive Healthcare A	Engages in the provision of healthcare commercial intelligence	1,093	0.7
Lattice Semiconductor	Developer of programmable logic devices	974	0.6
Azenta	Provider of life sciences solutions	905	0.6
SiTime	A micro-electromechanical system based silicon timing solutions	191	0.1
		<b>37,019</b>	<b>23.3</b>
<b>Materials* 3.7% (2022: 3.3%)</b>			
HB Fuller	Adhesives, sealants, coatings, paints and other specialty chemical products	3,091	1.9
Quaker Chemical	Custom-formulated chemical specialty products	2,834	1.8
		<b>5,925</b>	<b>3.7</b>
<b>Real Estate* 2.1% (2022: 2.3%)</b>			
EastGroup Properties, REIT	Industrial properties, with a particular emphasis on Florida, Texas, Arizona and California	2,761	1.7
DigitalBridge Group, REIT	Infrastructure solutions focused on mobile and internet connectivity	647	0.4
		<b>3,408</b>	<b>2.1</b>
<b>Total Investments</b>		<b>159,134</b>	<b>100.0</b>

The number of companies in the portfolio is 78 (2022: 78).

\* Sector categories correspond to those used in the Russell Indices.

## Environmental, Social and Governance (ESG) Report

### ESG research integration into the investment process

We believe thoughtful investing starts with listening to our clients, understanding their goals and identifying the best solutions to achieve them. Strong long-term performance, sound advice, and superior service are foundations of our commitment to our clients. Over the years, we have found that an investment process that considers ESG inputs has been an effective way to deliver our commitment of “thoughtful investing” to clients. For Brown Advisory US Smaller Companies, this means establishing processes that allow us to identify ESG risks when making our investment decisions.

### Investment inputs

We believe that ESG research is not a ‘style’ but rather an input to our decision-making process. Our expertise lies in understanding the financial implications of environmental, social and governance characteristics, both independently and in consideration of one another, and how this helps us gain an edge in generating performance for our clients.

We employ a “3G” investment filter within the Brown Advisory US Smaller Companies portfolio that seeks the following factors when evaluating new investments: growth, governance, and go-to-market strategy. To highlight the governance filter, the factors that companies should possess include a capable and shareholder-friendly management team, a diverse and appropriate Board structure, well-structured and aligned incentives, and more.

To support this, we integrate ESG research (either third party or provided by our team of ESG analysts) for all securities before we buy. Alongside this, we receive quarterly analysis that includes certain ESG data and, where applicable, controversies associated with the holdings in the portfolio. This report ensures we remain aware of various ESG characteristics of our investments.

### Brown Advisory’s ESG research team

As part of our commitment to “thoughtful investing”, we have long embedded ESG research analysts within the firm’s broader equity and fixed income investment research team. They work together across asset classes to develop overarching ESG research tools, and to provide coverage of overlapping portfolio names that are held or are being considered for both equity and fixed income portfolios. At the same time, the equity and fixed income ESG analysts are fully integrated members of the research teams for their respective asset classes, working closely with fundamental analysts and portfolio managers to guide portfolio decisions for strategies making use of the firm’s ESG research tools. We believe this approach helps us to maintain consistent standards across asset classes while also seeking to embed ESG research deeply within the decision-making process.

### Brown Advisory’s Sustainable Investing Advisory Board

Brown Advisory also has a Sustainable Investing Advisory Board. This board was developed to help us focus on our business strategy as we build out our sustainable investing capabilities beyond our ESG focused strategies. Among the strategic guidance that this board provides, they advise our investment teams as to how they might consider incorporating ESG information into investment decisions in ways that have clear fundamental benefits. The board includes members from Brown Advisory, as well as external sustainable investing experts.

### Brown Advisory LLC

Portfolio Manager  
15 September 2023

## Strategic Report

The Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The Strategic Report seeks to provide shareholders with the relevant information to enable them to assess the performance of the Board during the period under review.

### Business and Status

During the year the Company carried on business as an investment trust with its principal activity being portfolio investment. The Company has been approved by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the eligibility conditions of sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010') and the ongoing requirements for approved companies as detailed in Chapter 3 of Part 2 of the Investment Trust (Approved Company) (Tax) Regulations 2011. In the opinion of the Directors, the Company has conducted its affairs in the appropriate manner to retain its status as an investment trust.

The Company is an investment company within the meaning of section 833 of the Companies Act 2006.

The Company is not a close company within the meaning of the provisions of the CTA 2010 and has no employees.

The Company was incorporated in England & Wales on 15 January 1993.

Reviews of the Company's activities are included in the Chairman's Statement and Portfolio Manager's Review on pages 8 to 14.

The Company's investment objective and investment policy are described on pages 5 and 6.

There has been no significant change in the activities of the Company during the year to 30 June 2023 and the Directors anticipate that the Company will continue to operate in the same manner during the current financial year.

### Gearing

A definition of gearing is included in the glossary of terms including Alternative Performance Measures on page 84.

The Company was not geared during the year.

### Key Performance Indicators

At quarterly Board meetings, the Directors consider a number of performance indicators to assess the extent to which the Company is meeting its objective. The key performance indicators used to measure the performance of the Company over time are as follows:

- Net Asset Value changes;
- The discount or premium of share price to Net Asset Value;
- A comparison of the absolute and relative performance of the Ordinary share price and the Net Asset Value per share relative to the return on the Company's Benchmark Index and of its peers;
- Ordinary share price movement; and
- The Company's ongoing charges ratio.

Information on performance against Key Performance Indicators can be found on page 7 and within the Chairman's Statement.

In addition, a history of the Net Asset Value, Ordinary share price and Benchmark Index are shown on the monthly factsheets which can be viewed on the Portfolio Manager website [www.browoadvisory.com/basc](http://www.browoadvisory.com/basc).

## Strategic Report *(continued)*

### Discount to Net Asset Value

The Directors regularly review the level of the discount or premium between the closing price of the Company's Ordinary shares and the Net Asset Value. The Company will issue shares when there is sufficient demand. Such issues are always at a price which is in excess of the NAV. No shares were issued during the year under review.

The Board will apply its revised policy of buying back shares with the aim of reducing discount volatility and maintaining any discount such that it is not significantly wider than those of similar investment trusts. It believes this to be in shareholders' interests. In determining whether to buy back shares, the Board will consider, amongst other factors, and at its discretion, the size of the Company, general market conditions and sentiment, the liquidity in the shares and discounts in the investment trust sector overall.

The Directors had powers granted to them at the last Annual General Meeting ('AGM') held on 31 October 2022 to purchase Ordinary shares and either cancel or hold them in treasury as a method of controlling the discount to Net Asset Value and enhancing shareholder value. No shares were bought back during the year under review.

Under the Listing Rules, the maximum price that may be paid by the Company on the repurchase of any Ordinary shares is 105% of the average of the middle market quotations for the Ordinary shares for the five business days immediately preceding the date of repurchase. The minimum price will be the nominal value of the Ordinary shares. The Board is proposing that its authority to repurchase up to approximately 14.99% of its issued share capital (excluding treasury shares) be renewed at the AGM. The new authority to repurchase will last until the conclusion of the AGM of the Company in 2024 (unless renewed earlier). Any repurchase made will be at the discretion of the Board in light of prevailing market conditions and within guidelines set from time to time by the Board, the Companies Act, the Listing Rules and the Market Abuse Regulation.

### Treasury Shares

In accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the 'Regulations'), which came into force on 1 December 2003, any Ordinary shares repurchased, pursuant to the above authority, may be held in treasury. These Ordinary shares may subsequently be cancelled or sold for cash.

This gives the Company the ability to reissue shares quickly and cost effectively and provides the Company with additional flexibility in the management of its capital.

At 30 June 2023 there were 6,271,254 Ordinary shares held in Treasury.

### Management

The Company has no employees and most of its day-to-day responsibilities are delegated to Brown Advisory LLC, which acts as the Company's Portfolio Manager, and FundRock Partners Limited which acts as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretary. Further details of the Company's arrangement with Brown Advisory LLC and the AIFM can be found in Note 20 to the Financial Statements on page 79.

J.P. Morgan Europe Limited ('JPMEU') acts as the Company's depositary. The Company has also entered into an outsourcing arrangement with J.P. Morgan Chase Bank N.A. ('JPMCB') as custodian and for the provision of accounting services.

## Strategic Report *(continued)*

### Viability Statement

In accordance with Provision 36 of the Code of Corporate Governance as issued by the Association of Investment Companies in February 2019 (the 'AIC Code'), the Board has assessed the prospects of the Company over a longer period than the twelve months required by the 'Going Concern' provision, by reviewing the next three years and assessing the implications of the next required vote on the continuation of the Company at the 2023 AGM. The Board has confirmed that, following consultation with key stakeholders, it considers the continuation vote will be approved by the shareholders.

The Board has considered the Company's business model including its investment objective and investment policy, the principal and emerging risks and uncertainties that may affect the Company, as detailed on pages 28 to 30, the size threshold below which the Company would be considered uneconomic or unviable, and the Company performance and attractiveness to investors in the current environment. The Board has noted that:

- the Company holds a liquid portfolio invested predominantly in US listed equities;
- the Company is not geared;

- the Company has maintained a reasonable performance and share price discount to NAV;
- the portfolio management fee is the most significant expense of the Company. It is charged as a percentage of the Company's net asset value and so would reduce if the market value of the portfolio were to fall. The remaining expenses are modest in value and predictable in nature;
- no significant increase to ongoing charges or operational expenses is anticipated; and
- the Board is satisfied that Brown Advisory LLC and the Company's other key third-party suppliers maintain suitable processes and controls to ensure that they can continue to provide their services to the Company.

The Board has also considered the market outlook, both for US smaller company equities and for investment trusts, and has concluded that these remain an attractive opportunity for investors.

The Board has therefore concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.



## Strategic Report *(continued)*

### Principal and Emerging Risks and Uncertainties

The Board, through the Audit and Risk Committee, carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also considers emerging risks which might affect the Company. During the year, the continued conflict in Ukraine and tensions between China and the US have created geopolitical uncertainties which have increased market risk and volatility.

There are a number of other risks which, if realised, could have a material adverse effect

on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation.

The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

Risk	Mitigating Action
<p>Investment objective – the Company's objective becomes unattractive to investors which could result in a lack of demand for the Company's shares, leading to a widening of the discount of the share price to its underlying NAV and a fall in the value of its shares.</p>	<p>Board review: the Board formally reviews the Company's objective and related strategies on an annual basis, or more regularly if appropriate.</p> <p>Shareholder communication: the Board is cognisant of the importance of regular communication with shareholders. The Chairman offers meetings with the Company's largest shareholders, and the Board meets with shareholders at the Annual General Meeting. Additionally a shareholder presentation with questions and answers is available at the AGM. The Board reviews shareholder correspondence and investor relations reports and also receives feedback from the Company's broker.</p> <p>Discount monitoring: the Board, through the Portfolio Manager and AIFM, keeps the level of discount under constant review. The Board is responsible for the Company's share buyback policy and is prepared to authorise the use of share buybacks to provide liquidity to the market and to try to limit any widening of the discount, to the extent that it is wider than those of similar investment trusts.</p>

## Strategic Report (continued)

Risk	Mitigating Action
<p>Investment strategies – the Company adopts inappropriate investment strategies in pursuit of its objective which could result in decreased demand for the Company’s shares, leading to a widening of the discount and poor investment performance.</p>	<p>Adherence to investment guidelines: the Board sets investment guidelines and restrictions which the Portfolio Manager follows, covering matters such as asset allocation, diversification, gearing and currency exposure. These guidelines are reviewed regularly and reports on compliance with them are reviewed at Board meetings.</p> <p>In order to ensure adequate diversification, the Board has set absolute limits on minimum holdings and maximum exposures in the portfolio at the time of investment, which are set out on page 6.</p>
<p>Investment performance – the appointment or continuing appointment of a portfolio manager with inadequate resources, skills or expertise, or which makes poor investment decisions. This could result in poor investment performance, a loss of value for shareholders and a widening discount.</p>	<p>Monitoring of performance: the Board keeps performance under continual review. It meets the Portfolio Manager on a regular basis and keeps under close review (<i>inter alia</i>) its resources and adherence to investment guidelines. The Board discusses with the Portfolio Manager reasons for over or under-performance at every Board meeting.</p> <p>A detailed formal appraisal of the Portfolio Manager is carried out annually by the Board. The Board also keeps under review the adequacy of risk controls.</p>
<p>Financial/market – insufficient oversight or controls over financial risks, foreign currency risk, market price risk, interest rate risk, liquidity risk, credit and counterparty risk, and insufficient revenue forecasting and monitoring, could result in losses to the Company.</p>	<p>Management controls: the Portfolio Manager has a range of procedures and controls relating to the Company’s financial instruments and maintains a closed ‘approved broker’ list.</p> <p>Board review: as stated above, the Board sets investment guidelines and restrictions which are reviewed regularly and the Portfolio Manager reports on compliance with them at Board meetings.</p> <p>Revenue forecasting and monitoring: the AIFM presents detailed forecasts of income and expenditure covering both the current and subsequent financial years at Board meetings.</p> <p>Further details of the Company’s financial instruments and associated risk management are included in Note 13 to the Financial Statements.</p>

## Strategic Report *(continued)*

Risk	Mitigating Action
<p>Regulatory – changes to, or failure to comply with, relevant regulations (including the Companies Act, the Financial Services and Markets Act, the Alternative Investment Fund Managers Directive, accounting standards, investment trust regulations, the Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules) could result in fines, loss of reputation, reduced demand for the Company's shares and potentially the loss of an advantageous tax regime.</p>	<p>Board awareness: the Directors have an awareness of the more important regulations and are provided with information on changes by the Association of Investment Companies. In terms of day to day compliance with regulations, the Board is reliant on the knowledge and expertise of the AIFM and Company Secretary. However, where necessary, the Board engages the services of external advisers.</p> <p>Management controls: the Company Secretary and accounting teams use checklists to aid compliance and these are supported by the AIFM's compliance monitoring programme and risk-based internal audit investigations.</p>
<p>Operational (including cyber-crime) – the Company is reliant on services provided by third parties (in particular those of the Portfolio Manager, AIFM, custodian and depository) and any control gaps and failures in their operations could expose the Company to loss or damage.</p>	<p>Agreements: written agreements are in place defining the roles and responsibilities of all third-party service providers.</p> <p>Internal control systems of the AIFM and Portfolio Manager: the Board receives reports on the operation and efficacy of IT and control systems, including those relating to cyber-crime and internal audit and compliance functions.</p> <p>Safekeeping of assets: the depository is ultimately responsible for the safekeeping of the Company's assets and holds cash and securities in segregated accounts with J.P. Morgan Chase Bank N.A. The depository reconciles these accounts daily against the records of the Portfolio Manager.</p> <p>Monitoring of other third-party service providers: the AIFM closely monitors the control environments and quality of services provided by third parties, including those of the depository. This includes controls relating to cyber-crime and is conducted through service level agreements, regular meetings and key performance indicators. The Directors review reports on the AIFM's monitoring of third-party service providers on a periodic basis.</p> <p>A detailed formal appraisal of the AIFM, Portfolio Manager and other key third party providers is carried out annually by the Board.</p>
<p>Geopolitical (including a pandemic, climate change and the conflict in Ukraine) – the impact of geopolitical events could result in losses to the Company.</p>	<p>Board and Portfolio Manager awareness: geopolitical events over which the Company has no control are always a risk. The Board and Portfolio Manager do what they can to address these risks where possible.</p>

## Strategic Report *(continued)*

### Directors

Details of the Directors of the Company and their biographies are set out on page 34.

The Company's policy on Board diversity is included in the Corporate Governance section of the Report of the Directors on page 45.

At 1 July 2023 the Board comprised two<sup>†</sup> female and three male directors.

### Employees, Environmental, Social and Human Rights issues

The Company has no employees and therefore no disclosures need to be made in respect of employees. The Board has delegated the day-to-day management and administration functions to the Portfolio Manager, the AIFM, JPMEL, JPMCB and other third-party service providers.

### Integration of Environmental, Social and Governance ('ESG') considerations into the Portfolio Manager's investment process

A report from the Portfolio Manager has been included on page 24.

### Modern Slavery Act

The Modern Slavery Act 2015 requires certain companies to prepare a slavery and human trafficking statement. As the Company has no employees and does not supply goods and services, no statement is required.

### Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations as its day-to-day management and administration functions have been outsourced to third parties and it neither owns physical assets or property nor has employees of its own. It therefore does not have responsibility for any emissions-producing sources under the Companies Act 2006 (Strategic Report on Directors' Reports) Regulations 2013.

<sup>†</sup> Tina Soderlund-Boley resigned on 30 June 2023.

### Section 172 Statement

Under Section 172 ('S172') of the Companies Act 2006, the Directors have a duty to act in good faith and to promote the success of the Company for the benefit of its shareholders as a whole. This includes taking into consideration the likely consequences of their decisions in the long-term and in respect of the Company's stakeholders such as its shareholders, employees, if any, and suppliers, while acting fairly as between shareholders.

The Directors must also consider the impact of the Company's decisions on the environment, the community and its reputation for maintaining high standards of business conduct.

The Company ensures that the Directors are able to discharge this duty by providing them with relevant information and training on their duties. The Company also ensures that information pertaining to its stakeholders is provided, as required, to the Directors as part of the information presented in regular Board meetings in order that stakeholder considerations can be factored into the Board's decision-making. The Directors' responsibilities are also set out in the schedule of matters reserved for the Board and the terms of reference of its Audit and Risk Committee, both of which are reviewed regularly by the Board. At all times the Directors can access, either collectively or individually, advice from its professional advisers including the Company Secretary and independent external advisers.

The Company's investment objective, to achieve long-term capital growth by investing in a diversified portfolio primarily of quoted US smaller and medium-sized companies, supports the Directors' statutory obligations to consider the long-term consequences of the Company's decisions. How the long-term focus of the Company is achieved is set out in more detail in the above section on the Portfolio Manager's approach to ESG considerations. This approach is fundamental to the Company achieving long-term success for the benefit of all stakeholders.

## Strategic Report (continued)

The Company is aware of its own potential impact on the environment and has practical policies in place to reduce that impact. Examples include the use and sharing of electronic Board materials and the provision of electronic copies of the annual report and financial statements to shareholders and via the Company website. Where physical copies of the annual and half yearly financial reports are made, materials and processes are used which are designed to both minimise the environmental impact and to maximise the recycling potential as described in more detail on the inside back cover of this document.

### Engagement with suppliers, customers and others and the effect on principal decisions

**The Shareholders** – The shareholders of the Company are both institutional and retail and details of those with substantial shareholdings are provided on page 36.

The Board believes that shareholders have a vital role in encouraging a higher level of corporate performance and is committed to listening to the views of its shareholders and giving useful and timely information. The Board provides open and accessible channels of communication including those listed below.

**The AGM** – The Company encourages participation from shareholders at its AGMs, where they can communicate directly with the Directors and Portfolio Manager. The upcoming AGM will include a short presentation by the Portfolio Manager on the performance of the Company over the past year, as well as an outlook for the future. The Board and Portfolio Manager welcome questions which shareholders may submit to *InvestmentTrustEnquiries@brownadvisory.com*. Subject to confidentiality, we will respond to any questions submitted either directly or by publishing our response on the Company website. All views of the shareholders will be taken into consideration and action taken where appropriate.

**Online Information** – The Company website contains the annual and half yearly financial report along with monthly factsheets and commentaries from the Portfolio Manager. The daily NAV per share, monthly top ten portfolio listings and other regulatory announcements can be found on the regulatory news service of the London Stock Exchange.

### Shareholder Communications

Shareholders can raise issues or concerns at any time by writing to the Chairman or the Senior Independent Director at the Registered Office.

Further details about how the Board incorporates the views of the Company's shareholders can be found in the UK Stewardship Code and the Exercise of Voting Powers section on page 39. Further information about how the Board ensures that each Director develops an understanding of the views of the Company's shareholders can be found in the section entitled Shareholder Relations on page 41 of this report.

### The AIFM and the Portfolio Manager

Brown Advisory LLC acts as the Company's Portfolio Manager and FundRock Partners Limited has been appointed as the Company's AIFM.

The portfolio management function is critical to the long-term success of the Company. The Board and the Portfolio Manager maintain an open and constructive relationship, with meetings taking place a minimum of four times per annum, with monthly updates and additional meetings as required.

The 'Management of the Company' section on page 37 in this report details the Board's consideration of the Portfolio Manager's performance, its terms of appointment and the Board's annual assessment of the Portfolio Manager's continued stewardship of the portfolio and its oversight of the administrative functions.

## Strategic Report *(continued)*

The Audit and Risk Committee meets at least twice a year and as part of its role considers the reports on the internal control objectives and procedures of the Portfolio Manager, the AIFM, and other third party service providers together with independent, external reviews where appropriate.

The AIFM also supplies company secretarial services to the Company. The AIFM oversees the activities of the Company's other third-party suppliers on behalf of the Company and maintains open and collaborative relationships to maintain quality, efficiency and cost control through regular communication with operational teams. The Board regularly reviews reports from the Portfolio Manager, the AIFM and Company Secretary, the depositary, the Company's broker, the investor relations research provider and its independent Auditor.

These provide vital information concerning changes in market practice or regulation which affect the Company and assist the Board in its decision-making process. Representatives from these providers attend Company Board meetings and give presentations on a regular basis enabling in depth discussions concerning their findings and performance.

### Other Third-Party Service Providers

As an externally managed investment company with no employees or physical assets, the principal stakeholders of the Company are its shareholders, Portfolio Manager, AIFM, depositary, custodian, administrator and registrar.

The continuance, or otherwise, of engagement of key third-party service providers are principal decisions taken by the Board every year.

### In Summary

The governance structure and decision-making process are underpinned by the duties of the Directors under S172 on all matters. The Board firmly believes that the sustainable long-term success of the Company is dependent upon taking account of the interests of all its key stakeholders.

For and on behalf of the Board

### Stephen White

Chairman

15 September 2023



## Report of the Directors and Governance

### Directors



#### **Stephen White<sup>†</sup>**

*(Chairman of the Board)*

Appointed to the Board in October 2020 and subsequently appointed as Chairman of the Board in October 2021. He is a non-executive director and chairman of the audit committee of BlackRock Frontiers Investment Trust plc and a non-executive director of Polar Capital Technology Trust plc and Henderson EuroTrust plc. He qualified as a Chartered Accountant at PwC before starting a career in investment management. He has more than 35 years' investment experience, most notably as head of European equities at F&C Asset Management, where he was manager of F&C Eurotrust plc and deputy manager of the F&C Investment Trust plc, and as head of European and US equities at British Steel Pension Fund.



#### **Lisa Booth<sup>†</sup>**

Appointed to the Board in September 2015. Ms Booth is a solicitor with many years' experience in private practice. She co-founded a law firm in the City of London in 2003 and developed and managed a practice focusing on private equity and investment fund transactions during the subsequent ten years. She currently works as the General Counsel of a Berlin-based company which provides online travel search and ticket booking services.



#### **Jasper Judd<sup>†</sup>**

*(Chairman of the Audit and Risk Committee)*

Appointed to the Board in October 2022. He is a chartered accountant and non-executive director and chairman of the audit committee of Dunedin Income Growth Investment Trust plc and a non-executive director and chairman of the audit and risk committees of JPMorgan Indian Investment Trust plc and Schroder Asian Total Return Investment Company plc. Previously, he had a long career in finance and strategy.



#### **Clive Parritt<sup>†</sup>**

*(Senior Independent Director)*

Appointed to the Board in January 2007. He is a chartered accountant with over 40 years' experience providing strategic, financial and commercial advice to medium sized and growing businesses. He is senior independent director of London and Associated Properties PLC. He was president of the Institute of Chartered Accountants in England & Wales in 2011 to 2012. Until April 2016 he was Group Finance Director of Audiotonix Limited (an international manufacturer of audio mixing consoles) and, until 2001, he was chairman of Baker Tilly (now RSM), having been its national managing partner for ten years until June 1996. He has previously chaired or been a director of a number of investment trusts, VCTs and media businesses.

<sup>†</sup> Member of the Audit and Risk Committee.

## Report of the Directors and Governance *(continued)*



### **Jane Routledge†**

Appointed to the Board in April 2023, Ms Routledge is a non-executive director of M&G Credit Income Investment Trust plc (MGCI). She is also a non-executive director of Cumbria Education Trust. Previously, Ms Routledge had a long career in the investment management sector and has held a number of senior marketing positions including at Schroders, Invesco, Hermes and Seven Investment Management.

† Member of the Audit and Risk Committee.

## Report of the Directors

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 June 2023.

### Results and Dividends

The Company's Net Asset Value per Ordinary share and the Ordinary share price increased by 9.8% and 10.4% respectively in the year ended 30 June 2023, compared to an increase of 7.5% in the sterling adjusted Russell 2000 Total Return Index. Results and reserve movements for the year are set out in the Income Statement on page 64 and the Notes to the Financial Statements on pages 67 to 79.

The Net Assets of the Company at 30 June 2023 were £171.1 million (2022: £155.8 million). No distributable revenue is available for payment of dividends.

### Capital Structure

As at 30 June 2023 the Company's issued share capital consisted of 18,223,413 Ordinary shares of 25p each of which 6,271,254 were held in Treasury. As a result, the voting shares on 30 June 2023 totalled 11,952,159. All Ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements known to the Company between holders of securities regarding their transfer and no agreement to which the Company is party that affects its control following a takeover bid.

Details of the capital structure can be found in Note 14 to the Financial Statements on page 77. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of Ordinary shares.

### Notifiable Interests in the Company's Voting Rights

In accordance with the Disclosure and Transparency Rules as issued by the Financial Conduct Authority ('FCA'), the Company is required to be notified of any new or changes to previously disclosed substantial interests in its Ordinary shares.

### Substantial shareholders

At 30 June 2023, the following shareholders had declared a notifiable interest in the Company's voting rights:

Shareholder	Ordinary Shares held	% of total voting rights*	Date of notification
Rathbone Investment Management Limited	593,735	4.97	27 September 2022
1607 Capital Partners, LLC	599,740	5.02	5 April 2023

\* Based on number of voting rights as at the date of notification.

The following updates to notifiable interests in the Company's voting rights have been declared since 30 June 2023:

Shareholder	Ordinary Shares held	% of total voting rights*	Date of notification
Brewin Dolphin Limited	590,224	4.94	17 July 2023

\* Based on number of voting rights as at the date of notification.

### Directors

The Directors of the Company and their biographies can be found on pages 34 and 35.

Mr White, Ms Booth, Mrs Soderlund-Boley and Mr Parritt held office throughout the year under review with Mr Judd being appointed to the Board on 1 October 2022 and subsequently to the role of Chairman of the Audit and Risk Committee on 6 February 2023 and Ms Routledge being appointed on to the Board 1 April 2023. Mrs Soderlund-Boley resigned from the Board on 30 June 2023.

Mr Parritt serves as the SID. The SID serves as a sounding board for the Chairman and acts as an intermediary for other directors and shareholders. The SID is responsible for:

- working closely with and supporting the Chairman;

## Report of the Directors *(continued)*

- leading the annual assessment of the performance of the Chairman;
- holding meetings with the other directors without the Chairman being present, when required;
- carrying out succession planning for the Chairman's role;
- working with the Chairman, other directors and shareholders to resolve major issues; and
- being available to shareholders and other directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (through the Chairman).

### Repurchase of Shares

#### Authority to Repurchase Shares

At the AGM held on 31 October 2022 shareholders renewed the authority to buy back the Company's Ordinary shares for cancellation or holding in Treasury. The Board is seeking to renew the Company's buyback powers at the forthcoming AGM. It is believed that these provisions provide a valuable tool in the management of the Company's share value against Net Asset Value. The current authority allows the Company to purchase up to 14.99 per cent of the issued Ordinary shares (excluding treasury shares).

Purchases would be made at the discretion of the Board and within guidelines as set from time to time. Under the Listing Rules and the buyback and stabilisation regulation, the maximum price for such buybacks cannot exceed the higher of (i) 105 per cent. of the average middle market price for the five days immediately preceding the date of repurchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid.

#### Directors' Remuneration and Interests

The Directors' Remuneration Report and Policy on pages 51 to 54 provides information on the remuneration and shareholdings of the Directors.

#### Conflicts of Interest

Each Director has a statutory duty to avoid a situation where they have or may have a direct or

indirect interest which conflicts or might conflict with the interests of the Company, unless the relevant conflict or potential conflict has been authorised by the Board in accordance with the Company's Articles of Association. The Directors have declared all potential conflicts of interest with the Company. The register of potential conflicts of interests is kept at the Registered Office of the Company. It is reviewed regularly by the Board and all Directors advise the Company Secretary as soon as they become aware of any potential conflicts of interest. Directors who have potential conflicts of interest do not participate in any discussions which relate to any of their potential conflicts.

### Directors' and Officers' Liability Insurance and Indemnification

During the year under review the Company purchased and maintained liability insurance for its Directors and Officers as permitted by Section 233 of the Companies Act 2006.

#### Directors' Indemnification

The Company has indemnified its Directors in respect of their duties as Directors and Officers of the Company, against certain civil claims brought by third parties and associated legal costs to the extent that they are permitted by the Companies Act 2006.

### Management of the Company

Brown Advisory LLC is appointed as the Company's Portfolio Manager and FundRock Partners Limited is appointed as the Company's AIFM.

A summary of the terms of the appointment including the notice of termination period and annual fee is set out in Note 20 to the Financial Statements on page 79.

The Directors believe that it is in the best interests of all shareholders for the Company to continue the appointment of the AIFM and the Portfolio Manager on the existing terms of appointment having reviewed the services provided by the AIFM and the Portfolio Manager during the year.

## Report of the Directors (continued)

### Leverage

In accordance with the requirements under the Alternative Investments Fund Managers Directive ('AIFMD'), the leverage employed by the Company on 30 June 2023 was 1.03 as determined using the Gross method, and 1.03 as determined using the Commitment method.

Average leverage on a gross exposure basis is calculated by taking the sum of the notional values of the derivatives used by the Company, without netting, and is expressed as a ratio of the Company's net asset value. Average leverage on a commitment basis is calculated by netting the sum of the notional values of the derivatives and expressing it as a ratio of the Company's net asset value.

Disclosed in the table below is the level of leverage employed by the Company.

	Maximum limit	Gross exposure average leverage employed during the year	Commitment exposure average leverage employed during the year
30 June 2022	2.10	1.01	1.01
30 June 2023	2.10	1.03	1.03

### Going Concern

The Financial Statements have been prepared on a going concern basis. The Directors consider that this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the Company's investment objective, risk management policies and capital management policies, the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments and the ability of the Company to meet all of its liabilities and ongoing expenses.

In determining the appropriateness of the going concern basis, the Directors gave particular focus to the operational resilience and ongoing viability of the Portfolio Manager, the AIFM and other key

third-party suppliers. The Directors also assessed the likelihood that the continuation vote would be approved at the Company's 2023 AGM.

### ISA Qualification

The Company currently manages its affairs so as to be a qualifying investment trust under the Individual Savings Account ('ISA') rules. As a result, under current UK legislation, the Ordinary shares qualify for investment via the stocks and shares component of an ISA up to the full annual subscription limit, currently £20,000 (2023/24) in each tax year. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA products.

### Bribery Prevention Policy

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board takes very seriously its responsibility to prevent, through Brown Advisory LLC and the AIFM on its behalf, any bribery. To aid the prevention of bribery, Brown Advisory LLC and the AIFM have adopted a Bribery Prevention Policy.

### Risk Management and Internal Controls

In accordance with the AIC Code, the Board is responsible for monitoring the Company's risk management and internal control systems and reviewing their effectiveness, at least annually, and to report on its review in the Company's Annual Report. Internal control systems are designed to meet the particular requirements of the Company and to manage rather than eliminate the risks of failure to achieve its objectives. The systems by their very nature can provide reasonable but not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's internal control systems including the financial, operational and compliance controls and risk management. These systems have been in place for the period under review and to the date of signing the financial statements.

The Company receives services from the Portfolio Manager and the AIFM relating to the management of the Company, and from JPMEL

## Report of the Directors *(continued)*

for depositary services and JPMCB for custodian services and accounting services in respect of the Company. Documented contractual arrangements are in place with these service providers which define the areas where the Company has delegated authority to them. The Audit and Risk Committee has considered the reports on the internal control objectives and procedures of the Portfolio Manager, the AIFM, JPMEL and JPMCB, together with the opinion of the service auditors for these reports, which detail the measures and the testing of the measures which are in place to ensure the proper recording, valuation, physical security and protection from theft of the Company's investments and assets and the controls which have been established to ensure compliance with all regulatory, statutory and fiscal obligations of the Company.

The Directors have also had regard to the procedures for safeguarding the integrity of the computer systems operated by the Portfolio Manager, the AIFM, JPMEL and JPMCB and the key business continuity plans. The Board reviews the procedures described above for the management of risk on an annual basis.

The Company does not have an internal audit function. The Audit and Risk Committee considers whether there is a need for an internal audit function on an annual basis. As most of the Company's functions are delegated to third-party service providers the Board does not consider it necessary for the Company to establish its own internal audit function.

### UK Stewardship Code and the Exercise of Voting Powers

The Portfolio Manager is responsible for voting the shares it holds on the Company's behalf. The Portfolio Manager's Corporate Governance and Voting Policy can be found at <https://www.brownadvisory.com/intl/disclosures>.

The Board and the Portfolio Manager believe that shareholders have an important role in encouraging a higher level of corporate performance and therefore adopt a positive approach to corporate governance. The Portfolio Manager aims to act in the best interests of all its stakeholders by engaging with companies in

which the Company invests, and by exercising its voting rights with care. Not only is this commensurate with good market practice, but it also goes hand in hand with ensuring the responsible investment of its clients' funds. Equally, companies are asked to present their plans for maintaining social and environmental sustainability within their business.

In order to assist in the assessment of corporate governance and sustainability issues and contribute to a balanced view, the Portfolio Manager subscribes to external corporate governance and sustainability research providers but does not necessarily follow their voting recommendations. Contentious issues are identified and, where necessary (and where timescales permit), are discussed with corporate governance and/or sustainability analysts and portfolio managers, and companies. The Portfolio Manager ensures that resolutions are voted in accordance with this practice and timely voting decisions are made.

From time to time, resolutions will be brought to annual general meetings of investee companies by third parties encouraging companies to address specific environmental and/or social concerns. In such instances the Portfolio Manager's corporate governance and sustainability analysts will discuss their views with the investment team and the Company if appropriate. The Portfolio Manager will then vote for what it considers to be in the best financial interests of shareholders of the Company, whilst having regard for any specific sustainability concerns unless otherwise directed.

### Common Reporting Standards

The Regulations for Automatic Exchange of Financial Account Information (the Common Reporting Standard, 'CRS') issued by OECD have been enacted in the UK through The International Tax Compliance Regulations 2015.

These Regulations require all financial institutions (including investment trust companies) to share with HMRC certain information about overseas shareholders under the UK FATCA regulations. Accordingly, the Company is required to provide information to HMRC on the tax residencies of a number of non-UK based certificated



## Report of the Directors (continued)

shareholders and corporate entities on an annual basis. HMRC in turn exchanges this information with tax authorities in the country in which the shareholder may be resident for taxation purposes. HMRC has advised that the Company will not be required to provide such information on uncertificated holdings held through CREST. The Company has engaged Computershare to provide such information on certificated holdings to HMRC on an ongoing basis.

### Remuneration of the AIFM

Under the Alternative Investment Fund Managers Directive (“AIFMD”), FundRock Partners Limited acting as the AIFM of the Company is required to disclose the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the Company.

FundRock Partners Limited has established an AIFM remuneration policy designed to ensure that the AIFM Remuneration Code in the UK Financial

Authority Handbook is met proportionately for all AIFM Remuneration Code staff. Further details of the FundRock Partners Limited remuneration policy can be found at <https://www.fundrock.com/uk-remuneration-policy>.

In its role as an AIFM, FundRock Partners Limited deems itself as lower risk due to the nature of the activities it conducts. Therefore, FundRock Partners Limited has provided a basic overview of how staff whose actions have a material impact on the Company are remunerated.

Due to the size and structure of FundRock Partners Limited, it is determined that employees of the AIFM who have a material impact on the risk profile of the Company include the Board and Head of Compliance.

The Portfolio Manager is subject to regulatory requirements on remuneration that FundRock Partners Limited deem to be equally as effective as those detailed in the AIFMD, which would include the Capital Requirements Directive or Markets in Financial Instruments Directive.

	Number of beneficiaries <sup>1</sup>	Total remuneration paid <sup>2</sup>	Fixed remuneration (everything else that is not discretionary) £	Variable remuneration paid (discretionary) £	Carried interest paid by the Company
Total remuneration paid by FundRock Partners Limited during the financial year	24	2,284,961	2,066,296	218,665	0
Remuneration paid to employees of the AIFM who have a material impact on the risk profile of the Company	3	565,639	449,077	116,562	0

<sup>1</sup> Number of beneficiaries represents employees of the AIFM who are fully or partially involved in the activities of the Company as at 30 June 2023.

<sup>2</sup> Total remuneration paid represents total compensation of those employees of the AIFM who are fully or partially involved in the activities of the Company, based on their time in the role during the reporting period. Due to the AIFM's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable.

## Report of the Directors *(continued)*

### Shareholder Relations

All shareholders have the opportunity to attend and vote at the AGM, during which the Directors and Portfolio Manager will be available to answer questions regarding the Company. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Report of the Directors or notes accompanying the Notice.

Separate resolutions are proposed for each substantive issue. Information about proxy votes is available to shareholders attending the AGM and published thereafter on the Company website.

The Company reports to shareholders twice a year by way of the half yearly financial report and Annual Report and Financial Statements. In addition, Net Asset Values are published on a daily basis and monthly factsheets are published on the Company website [www.brownadvisory.com/basc](http://www.brownadvisory.com/basc).

The Board has developed the following procedure for ensuring that each Director develops an understanding of the views of shareholders. Regular contact with major shareholders is undertaken by the Company's corporate brokers and the investor relations team of the Portfolio Manager. Any issues raised by major shareholders are then reported to the Board. The Board also receives details of all material correspondence with shareholders and the Chairman and individual Directors are willing to meet shareholders to discuss any particular items of concern regarding the performance of the Company. The Chairman, Directors and representatives of the Portfolio Manager are also available to answer any questions which may be raised by shareholders.

### Engagement with Stakeholders

More information about how the Board fosters the relationships with its shareholders and other stakeholders, and how the Board considers the impact that any material decision will have on relevant stakeholders, can be found in the Section 172 statement in the Strategic Report on pages 31 and 32.

### Statement in Respect of the Annual Report and Financial Statements

Having taken all available information into consideration, the Board has concluded that the Annual Report and Financial Statements for the year ended 30 June 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 55.

There were no instances where the Company was required to make disclosures in respect of Listing Rule 9.8.4 during the financial period under review.

The Directors are not aware of any relevant audit information of which the Company's Auditor is unaware. The Directors also confirm that they have taken all the steps required of a director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

### Significant votes against at the 2022 Annual General Meeting

There were no votes against representing 20% or more of votes cast on any of the resolutions put forward for shareholder approval at the 2022 Annual General Meeting.

### Annual General Meeting

**This year's AGM will be held on Monday, 6 November 2023 at 2:00 p.m. at the offices of Brown Advisory LLC, 18 Hanover Square, London W1S 1JY.**

Please refer to the Notes for the AGM on pages 88 and 89 for full details on how to vote and to the Chairman's Statement on pages 10 and 11 for guidance on how to communicate any questions that you would like to be raised at the meeting.

In addition to the ordinary business to be conducted at the meeting, the following resolutions in respect of special business will be proposed.

## Report of the Directors *(continued)*

### **Resolution 11: Continuation vote (ordinary resolution)**

In accordance with the Articles, the Directors are required to propose an ordinary resolution at the forthcoming AGM (and at every third annual general meeting thereafter) that the Company shall continue in being as an investment trust. Accordingly, the Directors are proposing Resolution 11, which will be proposed as an ordinary resolution.

### **Resolution 12: Authority to allot shares (ordinary resolution)**

Resolution 12 seeks authority for the Directors to allot Ordinary shares up to an aggregate nominal amount of approximately £298,804. This authority represents 10% of the Company's issued share capital (excluding treasury shares) as at the date of this document. This authority will expire at the conclusion of the Company's AGM in 2024 (unless renewed earlier) and it is the intention of the Directors to seek renewal of this authority at that AGM. The Board will only use this authority where it believes that it is in the best interests of the Company to issue shares for cash.

### **Resolution 13: Disapplication of Pre-emption rights (special resolution)**

The Directors may only allot Ordinary shares for cash (other than by way of an offer to all existing shareholders pro rata to their shareholdings) if they are authorised to do so by shareholders at a general meeting. The Companies Act 2006 requires that, unless shareholders have given specific authority for the waiver of their statutory pre-emption rights, the new Ordinary shares must be offered first to existing Ordinary shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new Ordinary shares (or to grant rights over shares) for cash without first offering them to existing Ordinary shareholders in proportion to their holdings.

Accordingly, the Directors are seeking authority to issue up to 10% of the issued Ordinary shares on this basis.

The authority will expire at the conclusion of the AGM of the Company in 2024 (unless renewed

earlier) and it is the intention of the Directors to seek renewal of this authority at that AGM. Any allotment of new Ordinary shares pursuant to the authority conferred by this Resolution will dilute the voting power of shareholdings of existing shareholders, but will not have a dilutive impact on NAV.

### **Resolution 14: Authority to buy back shares (special resolution)**

The Company is seeking shareholder approval to repurchase up to 14.99% of the shares in issue (excluding treasury shares) at a price that is not less than the nominal value of each share. The authority being sought will last until the date of the next AGM.

The decision as to whether or not to repurchase any shares will be at the discretion of the Board and any shares repurchased under the authority will be cancelled or held in Treasury. The Company will only fund any purchases by utilising existing cash resources or out of distributable profits as defined by the Companies Act 2006.

Any purchase of shares by the Company will be made in accordance with the Articles of Association and the Listing Rules in force at the time. No purchase of shares will be made at a price in excess of the estimated NAV.

### **Resolution 15: Notice of General Meetings (special resolution)**

Resolution 15 is required to reflect the Shareholders' Rights Directive (the 'Directive'). The Directive has increased the notice period for General Meetings of the Company to 21 days. If Resolution 15 is passed the Company will be able to call all General Meetings (other than Annual General Meetings) on 14 clear days' notice. In order to be able to do so shareholders must have approved the calling of meetings on 14 clear days' notice. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a General Meeting on 14 clear days' notice. This shorter notice period will only be used where, in the opinion of the Directors, it is merited by the purpose of the meeting.

## Report of the Directors *(continued)*



The Board, left to right: Jasper Judd, Jane Routledge, Stephen White, Lisa Booth and Clive Parritt.

### **Recommendation**

The Board considers that the passing of the resolutions being put to the Company's AGM would be in the best interests of the Company and its shareholders as a whole. It therefore recommends that shareholders vote in favour of Resolutions 1 to 15, as set out in the Notice of Annual General Meeting.

### **By order of the Board**

FundRock Partners Limited  
Company Secretary

15 September 2023

## Corporate Governance

### Corporate Governance Compliance Statement

This statement, together with the Statement of Directors' Responsibilities on page 55 and the statement of Risk Management and Internal Controls on pages 38 and 39, indicates how the Company has complied with the recommendations of the AIC Code as issued in February 2019.

The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the 'UK Code') as issued in July 2018 by the Financial Reporting Council (the 'FRC'), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The Company has complied with the provisions of the AIC Code (which incorporates the UK Code), except as set out below. The UK Code include provisions relating to:

- The role of the chief executive;
- Executive directors' remuneration; and
- The need for an internal audit function.

The Board considers these provisions not relevant to the position of the Company being an externally managed investment company with no employees. The Company has not therefore reported further in respect of these provisions.

The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

A description of the main features of the Company's internal control and risk management functions can be found on pages 38 and 39 of this report.

### The Board

#### Role of the board

The Board receives monthly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review. At these meetings, the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to its investment policy or, if appropriate, to make any changes to that policy.

Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board has adopted a schedule of items specifically reserved for its decision.

A procedure has been adopted by which Directors may obtain independent professional advice at the expense of the Company in the furtherance of their duties.

#### Composition

As at 30 June 2023, following the resignation of Tina Soderlund-Boley, the Board comprised five non-executive directors, comprising two females and three males, all of whom are independent of the Portfolio Manager.

Mr White is Chairman of the Board and has no conflicts of interest between his interests and those of shareholders. The Chairman is also a shareholder. Potential conflicts are reported to the rest of the board who consider such conflicts and where appropriate approve them. The Chairman is not, and has never been, an employee of the Portfolio Manager nor a professional adviser to the Portfolio Manager or the Company. The Chairman does not serve as a director of any other investment companies managed by Brown Advisory LLC.

## Corporate Governance (continued)

### Tenure

The Board is mindful of the AIC and UK Corporate Governance Codes in relation to the tenure of directors (including the Chairman) but the Board has always believed in and arranged annual re-election for all Directors regardless of tenure.

The Board undertakes an annual evaluation of its composition, and that of its committee, taking into account the requirements of the AIC Code. If appropriate, recommendations are made to refresh the composition of the Board and its committee.

### Succession Planning

The Directors recently undertook a review of the composition of the Board.

During the financial year ending 30 June 2024, the Board intends to appoint an external search consultancy to undertake the search for an additional non-executive director as part of the refreshment of the Board and ahead of the time when both Mr Parritt and Ms Booth will have stepped down.

### Diversity

It is seen as a prerequisite that each member of the Board must have the skills, experience and character that will enable them to contribute to the effectiveness of the Board and the success of the Company. Subject to that overriding principle, diversity of experience and approach, including gender diversity, amongst Board members is of great value, and it is the Board's policy to give careful consideration to overall Board balance and diversity when making new appointments to the Board.

According to new requirements of the Listing Rules (Listing Rule 9.8.7 R), companies are required to include a statement in their annual report and financial statements setting out whether it has met the following targets on board diversity as at a chosen reference date within its accounting period:

- 1) At least 40% of individuals on its board are women;
- 2) At least one of the senior board positions (Chairman, chief executive officer (CEO), senior independent director or chief financial officer (CFO) is held by a woman; and
- 3) At least one individual on its board is from a minority ethnic background, defined to include those from an ethnic group, other than a white ethnic group, as specified in categories recommended by the Office for National Statistics.

As an externally-managed investment company, the Company does not have a CFO or CEO. The Board considers that the senior positions in the Company are the positions of Chairman, Chairman of the Audit and Risk Committee and Senior Independent Director.

As at 30 June 2023 the Company makes the following disclosures:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	3	60%	100%
Women	2	40%	–
Not specified/ prefer not to say	–	–	–



## Corporate Governance (continued)

Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	5	100%	100%
Mixed Multiple Ethnic Groups	–	–	–
Asian/Asian British	–	–	–
Black/African/Caribbean/Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/prefer not to say	–	–	–

### Re-election of Directors

It was noted by the Board that, as at 30 June 2023 and at the time of signing of these Financial Statements, it did not meet the second target on gender diversity or the third target on ethnic diversity. The Board is committed to meeting the Listing Rule target set out above and has agreed to consider gender and ethnic diversity when future appointments are made, and further information on how the Board's composition is expected to evolve is included in the Chairman's Statement on pages 8 to 11.

It is the Company's policy that all Directors stand for re-election on an annual basis.

### Training

The Directors are kept up to date on corporate governance issues through materials provided from time to time by the Company Secretary.

The Board may obtain training on aspects of corporate governance on an individual basis.

### Performance Evaluation

The Board has arranged an externally-facilitated Board effectiveness review which commenced in July 2023 and will conclude in early September 2023. On an annual basis, the Directors undertake an appraisal in relation to their oversight and monitoring of the performance of the Portfolio Manager and other key service providers.

### Board Committees

#### Audit and Risk Committee

The Board has established an Audit and Risk Committee. The report of the Audit and Risk Committee can be found on pages 48 to 50.

The Terms of Reference of the Committee are published on the Company website [www.browncadvisory.com/basc](http://www.browncadvisory.com/basc).

#### Other Committees

The Board has not established Remuneration or Nomination Committees as the functions of these committees are performed by the Board as all Directors are non-executive. Directors' fees are considered by the Board as a whole within the limits as set out in the Articles of Association and in accordance with the remuneration policy approved by shareholders. The appointment of directors is considered by the entire Board on an ad-hoc basis with consideration given *inter alia* to candidates' expertise and maintaining an appropriate Board balance and composition. The Board has not established a Management Engagement Committee as the functions of this committee, including the appointment of the Portfolio Manager, are performed by the Board.

## Corporate Governance *(continued)*

### Directors' Attendance at Meetings

	Board	Audit and Risk Committee
Stephen White	6/6	4/4
Lisa Booth	6/6	4/4
Jasper Judd <sup>†</sup>	4/4	3/3
Clive Parritt	6/6	4/4
Jane Routledge <sup>††</sup>	2/2	2/2
Tina Soderlund-Boley <sup>†††</sup>	6/6	4/4

<sup>†</sup> Covers the period 1 October 2022 to 30 June 2023.

<sup>††</sup> Covers the period 1 April 2023 to 30 June 2023.

<sup>†††</sup> Tina Soderlund-Boley resigned on 30 June 2023.

For and on behalf of the Board

#### Stephen White

Chairman

15 September 2023

## Report of the Audit and Risk Committee

### Role of the Audit and Risk Committee

The Audit and Risk Committee changed its name from Audit Committee so as more accurately to reflect its responsibilities and role. It meets at least twice annually to consider the principal and emerging risks of the Company, financial reporting by the Company, the internal controls and relations with the Company's external Auditor. In addition, it reviews the independence and objectivity of the Auditor and the effectiveness of the audit process, the quality of the audit engagement partner and the audit team, making a recommendation to the Board with respect to the reappointment of the Auditor. It also provides an opinion as to whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Company does not have an internal audit function as most of its day-to-day operations are delegated to professional third parties.

The Committee also reviews the Company's compliance with the Code and the AIC Code.

### Composition

The Audit and Risk Committee consists of Mr Judd, Ms Booth, Mr Parritt, Ms Routledge and Mr White. Mr Judd is chairman of the Audit and Risk Committee. All committee members are independent non-executive directors. Mr Judd is a chartered accountant and Mr Parritt is a past president of the ICAEW (Institute of Chartered Accountants in England and Wales).

Mr White continues to be a member of the Audit and Risk Committee. The AIC Code permits the Chairman to be a member of, but not chair, the Audit and Risk Committee if they were independent on appointment – which the Chairman was and continues to be. In view of the size of the Board, the Directors feel it is appropriate for him to continue as a member so that the Audit and Risk Committee can continue to benefit from his experience and knowledge.

The Audit and Risk Committee has direct access to the Auditor, the Heads of Internal Audit, and the Risk and Compliance function of the Portfolio Manager, and of the AIFM and reports its findings to the Board. The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information.

### Independent Auditor and Audit Tenure

As part of its review of the continuing appointment of the Auditor, the Audit and Risk Committee considers the length of tenure of the audit firm, its fees and independence from the AIFM and the Portfolio Manager along with any matters raised during each audit. Haysmacintyre LLP ('Haysmacintyre') is the appointed Auditor of the Company.

This year's audit was the fourth undertaken by Haysmacintyre, and the first led by Laura Mott as engagement partner, since Haysmacintyre was appointed in 2019. The fees paid to Haysmacintyre in respect of audit services are disclosed in Note 5 to the Financial Statements on page 71.

## Report of the Audit and Risk Committee *(continued)*

### Significant Accounting Matters

During its review of the Company's Annual Report and Financial Statements for the year ended 30 June 2023, the Audit and Risk Committee considered the following significant issues, including a robust assessment of principal and emerging risks and uncertainties in light of the Company's activities and issues communicated by the Auditor during its review, all of which were satisfactorily addressed:

Issue considered	How the issue was addressed
<ul style="list-style-type: none"> <li>■ Valuation of the investment portfolio and existence</li> </ul>	<ul style="list-style-type: none"> <li>■ Review of reports from the Portfolio Manager and custodian</li> </ul>
<ul style="list-style-type: none"> <li>■ Compliance with section 1158 of the Corporation Tax Act 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Review of portfolio holdings reports and revenue forecasts to ensure compliance criteria are met</li> </ul>
<ul style="list-style-type: none"> <li>■ Calculation of management fee</li> </ul>	<ul style="list-style-type: none"> <li>■ Consideration of methodology used to calculate management fee, matched against the criteria set out in the Portfolio Management Agreements</li> </ul>
<ul style="list-style-type: none"> <li>■ Statement of going concern</li> </ul>	<ul style="list-style-type: none"> <li>■ Review of the investment portfolio, risks and uncertainties and forecast revenue</li> </ul>

### Auditor Effectiveness and Independence

Auditor effectiveness is assessed by means of the Auditor's direct engagement with the Committee at Audit and Risk Committee meetings and also by reference to feedback from the AIFM, Portfolio Manager and its employees who have direct dealings with the Auditor during the annual audit of the Company.

### Disclosure of Information to the Auditor

The Directors are not aware of any relevant audit information of which the Company's Auditor is unaware. The Directors also confirm that they have each taken all the steps required of a company director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

### Non-audit Services

The Committee ensures that the Auditor's objectivity and independence are safeguarded by requiring pre-approval by the Committee for all non-audit services provided to the Company, which takes into consideration:

- confirmation from the Auditor that it has adequate arrangements in place to safeguard their objectivity and independence in carrying out such work, within the meaning of the regulatory and professional requirements to which they are subject;
- the non-audit fees to be incurred, relative to the audit fees;
- the nature of the non-audit services; and
- whether the Auditor's skills and experience make it the most suitable supplier of such services and whether they are in a position to provide them.

The Committee has adopted a policy that all non-audit services are subject to its approval. No fee for such services was payable to the Auditor for the year under review and no services were undertaken (2022: £nil).

## Report of the Audit and Risk Committee *(continued)*

### Statement in respect of the Annual Report and Financial Statements

Having taken all available information into consideration, and having discussed the content of the Annual Report and Financial Statements with the AIFM, Portfolio Manager, Company Secretary and other third-party service providers, the Audit and Risk Committee has concluded that the Annual Report and Financial Statements for the year ended 30 June 2023, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board.

For and on behalf of the Audit and Risk Committee

#### **Jasper Judd**

Chairman of the Audit and Risk Committee  
15 September 2023

## Directors' Remuneration Report and Policy

### Introduction

The Board is pleased to present the Company's annual remuneration report for the year ended 30 June 2023, together with its remuneration policy, in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 56 to 63.

### Statement by the Chairman

The Board's policy on remuneration is set out below.

The Directors of the Company are non-executive and by way of remuneration receive an annual fee, payable quarterly in arrears.

Directors' fees currently payable are as follows:

Role	Amount payable per annum
Chairman of the Board	£37,000
Chairman of the Audit and Risk Committee	£33,500
Director	£28,000

Details of the total emoluments paid to Directors for the years ended 30 June 2022 and 30 June 2023 are provided in the Annual Report on Remuneration on page 52.

The Company does not award any other remuneration or benefits to the Chairman or Directors. There are no bonus schemes, pension schemes, share option or long-term incentive schemes in place for the Directors.

### Directors' Remuneration Policy

The remuneration policy of the Company was approved by shareholders at the 2020 AGM for a maximum of three years. Accordingly, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, a resolution to

approve the remuneration policy for a maximum of a further three years will be put before shareholders at this year's AGM.

Subject to shareholder approval, the remuneration policy as set out below will apply until the 2026 AGM unless renewed, varied or revoked by shareholders at a general meeting.

The Company's current remuneration policy is that fees payable to Directors are commensurate with the amount of time Directors are expected to spend on the Company's affairs, whilst seeking to ensure that fees are set at an appropriate level so as to enable candidates of a sufficient calibre and possessing suitable knowledge and experience to be recruited. The Company's Articles of Association state the maximum aggregate amount of fees that can be paid to Directors in any one year. This is currently set at £185,000 per annum and shareholder approval is required for any changes to this. No change is proposed to the remuneration policy, or to the maximum aggregate amount of fees. Shareholders are being asked to approve the unchanged remuneration policy (Resolution 3) at the 2023 AGM.

Subject to the passing of Resolution 3 at the forthcoming AGM, the Board plans to marginally increase Director fees next year in line with the Company's peer group. Director fees were last increased on 1 January 2023.

Each Director is entitled to a base fee. The Chairman of the Board is paid a higher fee than other Directors to reflect the additional work entailed by the role. The Chairman of the Audit and Risk Committee also receives a higher fee on the same basis.

The Board is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its Terms of Reference. The Board did not seek external advice during the year under review.

The Board has not established a Remuneration Committee and any review of the Directors' fees is undertaken by the Board as a whole and has regard to the level of fees paid to non-executive directors of other investment companies of equivalent size.



## Directors' Remuneration Report and Policy *(continued)*

### Directors' Service Contracts

No Director has a contract of service with the Company. Accordingly, the Directors are not entitled to any compensation in the event of termination of their appointment or loss of office, other than the payment of any outstanding fees.

It is the Company's policy for all Directors to stand for re-election annually. Any new Director appointed is subject to election by shareholders at the next AGM following their appointment.

The terms and conditions of Directors' appointments are set out in formal letters of appointment.

Director	Date of Appointment	Due date for Re-election
Stephen White	1 October 2020	Annually
Lisa Booth	29 September 2015	Annually
Jasper Judd	1 October 2022	Annually
Clive Parritt	2 January 2007	Annually
Jane Routledge	1 April 2023	Annually

### Annual Report on Remuneration

A single figure for the total remuneration of each Director is set out in the table below for the years ended 30 June 2023 and 30 June 2022 respectively. Directors' fees were last increased on 1 January 2023.

#### Directors' emoluments for the period (audited)

Director	30 June 2023			30 June 2022		
	Fees £	Expenses £	Total remuneration for the year ended £	Fees £	Expenses £	Total remuneration for the year ended £
Stephen White	35,825	–	35,825	31,395	–	31,395
Peter Barton‡	–	–	–	10,347	–	10,347
Lisa Booth*	30,300	562	30,862	30,750	438	31,188
Gordon Grender‡‡	–	–	–	12,835	–	12,835
Jasper Judd**†	22,763	–	22,763	–	–	–
Clive Parritt	27,125	–	27,125	25,625	–	25,625
Jane Routledge††	7,000	–	7,000	–	–	–
Tina Soderlund-Boley†††	27,125	–	27,125	25,625	–	25,625
<b>Total</b>	<b>150,138</b>	<b>562</b>	<b>150,700</b>	<b>136,577</b>	<b>438</b>	<b>137,015</b>

\* Chairman of the Audit and Risk Committee until 6 February 2023.

\*\* Chairman of the Audit and Risk Committee from 6 February 2023.

‡ Covers the period 1 July 2021 to 29 November 2021.

‡‡ Chairman of the Board until 21 October 2021.

† Covers the period 1 October 2022 to 30 June 2023.

†† Covers the period 1 April 2023 to 30 June 2023.

††† Tina Soderlund-Boley resigned on 30 June 2023.

## Directors' Remuneration Report and Policy (continued)

### Expenditure by the Company on Directors' Remuneration compared with Distributions to Shareholders

The table opposite compares the remuneration payable to Directors to distributions made to shareholders during the financial year under review and the prior year. In considering these figures, shareholders should take into account the Company's principal investment objective of achieving capital growth. In the year ended 30 June 2023, the Company's capital return was a net gain of £16 million (2022: net loss of £24 million).

	30 June 2023 £'000	30 June 2022 £'000
Remuneration paid to Directors	151	137
Distributions to shareholders – dividends	–	–
Total value of shares repurchased	–	174

### Statement of voting at the last AGM

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders annually at the Company's Annual General Meeting. This vote is advisory and not binding on the Company, nor does it affect the remuneration payable to any individual director. However, it does give shareholders the opportunity to inform the Board of their views on the Directors' remuneration. The Directors' remuneration policy will be put to shareholders'

vote at the upcoming AGM on 6 November 2023. The Directors' remuneration policy sets out the Company's proposed forward looking policy on Directors' remuneration. The vote is binding and the company is obliged to present a policy on Directors' remuneration to shareholders for approval every 3 years.

The following sets out the votes received at the last AGM of the shareholders of the Company, held on 31 October 2022, in respect of the approval of the Directors' Remuneration Report.

	Votes cast for		Votes cast against		Total votes cast	Number of votes withheld
	Number	%	Number	%		
<b>Directors' Remuneration Report</b>	4,093,029	98.69	43,833	1.06	4,147,312	12,039

### Directors' Interests

The Directors who held office at the end of the financial year covered by this report and their beneficial interests in the Ordinary shares of the Company are detailed in the table opposite. There is no requirement for a director to hold shares in the Company.

The Directors' interests in contractual arrangements with the Company are as detailed in Note 20 to the Financial Statements. Subject to these exceptions, no Director was a party to or had any interest in any contract or arrangement with the Company at any time during the year or subsequently.

### Directors' interests in Ordinary shares (audited)

	30 June 2023	30 June 2022
Lisa Booth	463	463
Jasper Judd	2,000	–
Clive Parritt	10,000	10,000
Jane Routledge	–	–
Stephen White	20,000	20,000

On 11 July 2023, Jane Routledge purchased 857 Ordinary shares in the Company. Ms Routledge purchased a further 643 Ordinary shares in the Company on 28 July 2023.

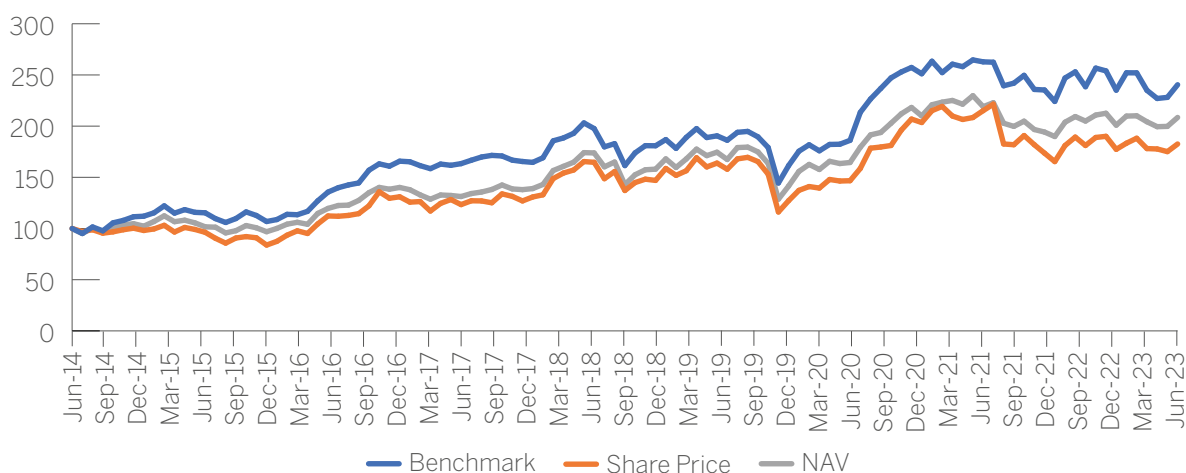
## Directors' Remuneration Report and Policy (continued)

As at 13 September 2023, the latest practicable date prior to publication of this document, no further changes had been notified.

### Performance to 30 June 2023

The graph below provides details of the Company's Ordinary share price performance compared against the Russell 2000 Total Return Index, expressed in sterling.

#### Performance from 30 June 2014 to 30 June 2023



Source: Datastream.

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the Directors' Remuneration Report and policy summarises, for the year ended 30 June 2023, the review undertaken and the decisions made regarding the fees paid to the Board, as well as the future remuneration policy of the Company.

By order of the Board

**Stephen White**

Chairman

15 September 2023

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and the Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and accounting estimates that are reasonable and prudent;
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Report of the Directors,

Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company website [www.brownadvisory.com/basc](http://www.brownadvisory.com/basc), which is a website maintained by Brown Advisory LLP. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, who are listed on pages 34 and 35 of this report, confirms to the best of their knowledge that:

1. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
2. the Strategic Report includes a fair review of the development and performance of the Company, together with a description of the principal risks and uncertainties that the Company faces; and
3. in their opinion the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy.

So far as each Director is aware at the time the report is approved:

1. there is no relevant audit information of which the Company's Auditor is unaware; and
2. the Directors have taken all steps required of a company director to make themselves aware of any relevant audit information and to establish that the Company's Auditor has been made aware of that information.

By order of the Board

**Stephen White**

Chairman

15 September 2023

## Independent Auditor's Report

### To the Members of Brown Advisory US Smaller Companies PLC

#### Our opinion on the financial statements

We have audited the financial statements of Brown Advisory US Smaller Companies plc ('the Company') for the year ended 30 June 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of the return for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### An overview of the scope of our audit

We planned the scope of our audit to ensure that we obtained sufficient audit evidence to give an audit opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting has been outsourced to J.P. Morgan Chase Bank N.A, who are responsible for maintaining the Company's accounting records. Accordingly, we review their involvement as a service organisation, use reports and data provided to us by them, and consider the operation of controls and procedures operated by J. P. Morgan Chase Bank N.A. that are relevant to our audit.

We obtained our audit evidence from substantive tests and as part of our risk assessment, we understood and assessed the internal controls in place at the Portfolio Manager, and the accounting service provider to the extent relevant to our audit. This assessment of the operating and accounting structure in place at these organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of these entities in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

## Independent Auditor's Report *(continued)*

### Key audit matters: Our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These

matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit matter	The risk	Our response to the risk:
<p><b>Incomplete or inaccurate revenue recognition, including classification as revenue or capital</b></p> <p>Revenue for the year is £984,000 (2022: £738,000) and is disclosed in Note 3 to the financial statements.</p> <p>The accounting policy for revenue is described in note 2b(iv).</p>	<p>There is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or applying appropriate accounting treatment.</p> <p>In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.</p>	<p>We have undertaken the following procedures to verify the appropriateness of revenue recognition:</p> <ul style="list-style-type: none"> <li>■ To assess the completeness of dividends for investments held during the year, we reviewed the dividend announcements made by the investee companies and ensured that the Company had correctly recognised income in respect of those dividends. This was performed on a sample basis;</li> <li>■ We agreed the receipt of dividends to bank statements on a sample basis; and</li> <li>■ For a sample of accrued dividends, we assessed the date of the dividend declaration date and whether the Company had proper legal title to those dividends.</li> </ul>
<p><b>Key observations communicated to the Audit and Risk Committee</b></p> <p>Our audit procedures did not identify any matters or other observations to report to the Audit and Risk Committee.</p>		



## Independent Auditor's Report *(continued)*

Key audit matter	The risk	Our response to the risk:
<p><b>Valuation of investments</b></p> <p>Investment valuations at the year end were £159,134,000 (2022: £147,856,000) which were all listed investments.</p> <p>Disclosure of these investments is included in Note 9 to the financial statements.</p> <p>The accounting policy for the valuation of investments is described in Note 2b(i) of the financial statements.</p>	<p>Investments represent the most significant item in the statement of financial position and an error within the valuation of the Company's investment portfolio could have a material impact on the financial position and performance of the Company.</p> <p>We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments.</p> <p>However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which has the greatest impact on our overall audit strategy and allocation of resources in planning and completing our audit so therefore was considered a key audit matter.</p>	<p>We have undertaken the following procedures to gain assurance over the valuation of the investments:</p> <ul style="list-style-type: none"> <li>■ We agreed the bid price to an independent source. This was performed on a sample basis;</li> <li>■ We agreed the exchange rates applied to US stocks to an independent source. This was performed on a sample basis;</li> <li>■ We agreed the year-end investment holdings to custodian confirmation;</li> <li>■ We assessed the accuracy of the calculation of Gains and losses on investments at fair value through profit and loss; and</li> <li>■ We assessed the appropriateness and presentation of the Gains and losses on investments at fair value through profit and loss within the financial statements disclosures.</li> </ul>
	<p><b>Key observations communicated to the Audit and Risk Committee</b></p> <p>Based on the procedures performed we gained satisfactory assurance over the valuation of the Company's investment portfolio and did not identify any matters or other observations to report to the Audit and Risk Committee.</p>	

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of a reasonably knowledgeable person, relying on the financial statements.

### Materiality

Materiality provides a basis for determining the nature and extent of our audit procedures. We determined materiality for the Company to be £1,590,000 which is approximately 1% of the Company's net asset value at 30 June 2023.

Net asset value has been used as the benchmark for materiality as this is considered to be the critical performance measure used by investors to assess the performance of the Company.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate materiality level of £34,000 for the revenue column of the Statement of Comprehensive Income. We set this level at approximately 2% of total expenditure.

### Performance materiality

On the basis of our risk assessments, together with our assessment of the Company's overall control environment our assessment was that performance materiality should be set at 75% of our overall materiality level, namely £1,190,000. We have set performance materiality at this percentage due to the absence of significant

## Independent Auditor's Report *(continued)*

errors noted in the current year audit and based on our assessment of the control framework at the Company.

We also applied a separate performance materiality level of £25,500 for the revenue column of the Statement of Comprehensive Income. We set this at 75% of the separate revenue account materiality level.

### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial. We determined based on our calculations that we would report to the Committee all audit differences in excess of £79,600 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements. The reporting threshold for the revenue account was set at £1,700.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. The Directors assessment on going concern is summarised in the Directors' report and we are of the opinion that this assessment is reasonable.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern position in light of market volatility and the present uncertainties by reviewing the information used by the Directors in comprising their assessment;
- Considering the liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due;
- Considering the continuation vote at the 2023 AGM;
- Considering the current cash position; and
- Considering the ability of the key service organisations to continue providing services to the Company.

Based on the work performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report on that fact.

## Independent Auditor's Report *(continued)*

### Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Disclosures of emerging principal risks, going concern and viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks, going concern and the viability statement, and the financial statements and our audit knowledge.

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation set out on page 28 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and the disclosures in the Annual Report set out on pages 28 and 30 that describe the principal risks and explain how they are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and

- The Directors' viability statement on page 27 in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 27 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that the above disclosures are materially consistent with the financial statements and our audit knowledge.

### Corporate Governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

## Independent Auditor's Report *(continued)*

- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- The Directors' statement on page 27 in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate;
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- The Directors' confirmation set out on pages 28 to 30 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and the disclosures in the Annual Report set out on pages 28 to 30 that describe the principal risks and explain how they are being managed or mitigated;
- The Directors' statement on fair, balanced and understandable set out on page 41 – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; or
- the Audit and Risk Committee report set out on pages 48 to 50 including the significant issues that the Audit and Risk Committee considered in relation to the financial statements, and how these issues were addressed; and

- The Directors' statement of compliance with the UK Corporate Governance Code set out on page 67 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

## Independent Auditor's Report *(continued)*

- a corporate governance statement has not been prepared by the parent company.

### Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level assurance, but not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to irregularities including fraud are:

- To identify and assess the risks of material misstatement of the financial statements due to fraud;
- To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- To respond appropriately to fraud or suspected fraud identified during the audit.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and the entities delegated with the day-to-day responsibilities and the outsourced service providers.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud;
- We considered the significant laws and regulations to the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework and the Company's qualification as an investment trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax;

## Independent Auditor's Report *(continued)*

- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and key service providers in combination with a review of the Company's documented policies and procedures.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Review of minutes of board meetings throughout the period to identify and instance of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust status.

We evaluated the Directors and key service providers incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the occurrence of fraud is low given the activities and operations of the Company. If fraud were to occur it would likely be collusive in nature and probably occur through posting inappropriate manual journal entries to revenue and investments. Audit procedures performed by the engagement team included:

- Discussions with Audit and Risk Committee and key service providers including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating controls designed to prevent and detect irregularities; and
- Identifying and testing journals, in particular manual journal entries posted through revenue and investments, postings containing unusual phrases or with unusual descriptions.

### Other matters we are required to address

Following recommendation of the Audit and Risk Committee, we were appointed by the Shareholders to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement is therefore 4 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Laura Mott

Senior Statutory Auditor  
for and on behalf of Haysmacintyre LLP  
Statutory Auditor, Chartered Accountants  
London

15 September 2023



## Income Statement

for the year ended 30 June 2023

	Note	Revenue Return £'000	2023 Capital Return £'000	Total £'000	Revenue Return £'000	2022 Capital Return £'000	Total £'000
Gain/(loss) on investments at fair value through profit or loss	9	–	16,474	16,474	–	(25,401)	(25,401)
Foreign exchange (loss)/gain		–	(746)	(746)	–	1,321	1,321
Investment income	3	873	–	873	738	–	738
Other income	3	111	–	111	–	–	–
<b>Total income/(loss)</b>		<b>984</b>	<b>15,728</b>	<b>16,712</b>	<b>738</b>	<b>(24,080)</b>	<b>(23,342)</b>
Management fee	4	(1,172)	–	(1,172)	(1,192)	–	(1,192)
Other expenses	5	(521)	(2)	(523)	(475)	(4)	(479)
<b>Total expenses</b>		<b>(1,693)</b>	<b>(2)</b>	<b>(1,695)</b>	<b>(1,667)</b>	<b>(4)</b>	<b>(1,671)</b>
<b>Return/(loss) before taxation</b>		<b>(709)</b>	<b>15,726</b>	<b>15,017</b>	<b>(929)</b>	<b>(24,084)</b>	<b>(25,013)</b>
Taxation	7	(106)	396	290	(90)	(309)	(399)
<b>Net return/(loss) after taxation</b>		<b>(815)</b>	<b>16,122</b>	<b>15,307</b>	<b>(1,019)</b>	<b>(24,393)</b>	<b>(25,412)</b>
<b>Net return/(loss) per Ordinary share</b>	8	<b>(6.82p)</b>	<b>134.89p</b>	<b>128.07p</b>	<b>(8.52p)</b>	<b>(204.03p)</b>	<b>(212.55p)</b>

The total column of this statement is the profit and loss account of the Company.

The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The Notes on pages 67 to 79 form part of these Financial Statements.

## Statement of Financial Position

as at 30 June 2023

	Note	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	9	159,134	147,856
<b>Current assets</b>			
Debtors	11	67	304
Cash at bank and in hand		12,444	8,218
		<b>12,511</b>	<b>8,522</b>
Creditors: amounts falling due within one year	12	(498)	(538)
<b>Net current assets</b>		<b>12,013</b>	<b>7,984</b>
<b>Total assets less current liabilities</b>		<b>171,147</b>	<b>155,840</b>
<b>Capital and reserves</b>			
Called up share capital	14	4,555	4,555
Share premium account	15	19,550	19,550
Non-distributable reserve	16	841	841
Capital redemption reserve	17	9,628	9,628
Retained earnings	18	136,573	121,266
<b>Total shareholders' funds</b>		<b>171,147</b>	<b>155,840</b>
<b>Net asset value per Ordinary share (pence)</b>	19	<b>1,431.9</b>	<b>1,303.9</b>

The Financial Statements on pages 64 to 66 were approved by the Board of Directors and signed on its behalf on 15 September 2023.

### Stephen White

Chairman

Company Registration Number 02781968

The Notes on pages 67 to 79 form part of these Financial Statements.

## Statement of Changes in Equity

for the year ended 30 June 2023

	Note	Called up Share Capital £'000	Share Premium £'000	Non- distributable Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings* £'000	Total £'000
<b>For the year ended 30 June 2023</b>							
1 July 2022		4,555	19,550	841	9,628	121,266	155,840
Net return for the year		–	–	–	–	15,307	15,307
<b>Balance at 30 June 2023</b>		<b>4,555</b>	<b>19,550</b>	<b>841</b>	<b>9,628</b>	<b>136,573</b>	<b>171,147</b>

	Note	Called up Share Capital £'000	Share Premium £'000	Non- distributable Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings* £'000	Total £'000
<b>For the year ended 30 June 2022</b>							
1 July 2021		4,555	19,550	841	9,628	146,852	181,426
Repurchase of Ordinary shares to be held in treasury	14	–	–	–	–	(174)	(174)
Net return for the year		–	–	–	–	(25,412)	(25,412)
<b>Balance at 30 June 2022</b>		<b>4,555</b>	<b>19,550</b>	<b>841</b>	<b>9,628</b>	<b>121,266</b>	<b>155,840</b>

\* Dividends are only payable from the revenue return element of retained earnings (see Note 18 for further details).

The Notes on pages 67 to 79 form part of these Financial Statements.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 1. General information

Brown Advisory US Smaller Companies PLC (a Public Company Limited by shares) is an investment Company incorporated in the United Kingdom with a premium listing on the London Stock Exchange. The Company registration number is 02781968 and the registered office is 6th floor, 125 London Wall, London, EC2Y 5AS.

The Company conducts its affairs so as to qualify as an investment trust under the provisions of section 1158 of the Corporation Tax Act 2010. The Company has qualified as an investment trust in respect of all relevant years up to and including the year ended 30 June 2023. Section 1158 was amended to allow the Company to seek approval of compliance in advance and for all subsequent financial years. The Company received such advance approval subject to it continuing to meet the relevant eligible conditions and ongoing requirements. The Company intends to conduct its affairs so as to enable it to comply with the requirements. Such approval exempts the Company from UK corporation tax on gains realised in the relevant year on its portfolio of fixed asset investments.

A summary of the accounting policies, all of which have been applied consistently throughout the period is set out below.

## 2. Accounting policies

### (a) Basis of preparation

The Financial Statements for the year ended 30 June 2023 have been prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP') including Financial Reporting Standard 102 ('FRS 102'), the financial reporting standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice ('SORP') for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC') in July 2022.

The Company continues to adopt the going concern basis in the preparation of the Financial Statements. The Financial Statements have been prepared in

accordance with the Company's accounting policies as set out below. They are presented in accordance with the Companies Act 2006 (the 'Act') and the requirements of the SORP 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in July 2022.

The Company has taken advantage of the exemption from preparing a Cash Flow Statement under FRS 102, as it is an investment fund and the investments are substantially all highly liquid and carried at fair (market) value.

In accordance with FRS 102, the Company is required to identify its functional reporting currency in which the Company predominantly operates. Having regard to the Company's share capital and the predominant currency in which its shareholders operate, pounds sterling, is the identified functional and presentation reporting currency of the Company.

The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental reporting is required.

### Statement of Compliance

The Financial Statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102 and the Companies Act 2006.

### (b) Principal accounting policies

#### (i) Financial instruments

Financial instruments include fixed asset investments and derivative assets and liabilities.

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

## Notes to the Financial Statements *(continued)*

### 2. Accounting policies *(continued)*

**Level 1** – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange.

**Level 2** – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been recently suspended, forward exchange contracts and certain other derivative instruments.

**Level 3** – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instruments. Included within this category are unquoted investments.

#### *(ii) Fixed asset investments*

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the realisation and revaluation of investments as transactions on the capital account. Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to their acquisition. Sales are also recognised on the trade date, after deducting expenses incidental to the sales.

Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted.

#### *(iii) Foreign currency*

Monetary assets, monetary liabilities and equity investments denominated in a foreign currency are expressed in sterling at rates of exchange ruling at the Statement of Financial Position date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions.

Foreign exchange profits and losses on fixed asset investments are included within the changes in fair value in the capital account. Foreign exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items when they are credited or charged to the revenue account.

#### *(iv) Income*

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates it should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

Dividends from overseas companies are shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital account.

#### *(v) Expenses, including finance charges*

Expenses are charged to the revenue account of the Income Statement, except as noted below:

- expenses incidental to the acquisition or disposal of fixed asset investments are included within the cost of the investments or deducted from the disposal proceeds of investments and are thus charged to the capital element of retained earnings – arising on investments sold via the capital account; and
- all expenses are accounted for on an accruals basis. Finance charges are accrued using the effective interest rate method.

## Notes to the Financial Statements *(continued)*

### 2. Accounting policies *(continued)*

#### *(vi) Taxation*

Withholding tax deducted at source from income received is treated as part of the taxation charge in the income account, in instances where it cannot be recovered.

Deferred tax is provided in accordance with FRS 102, on an undiscounted basis, on all timing differences that have originated but not reversed by the Statement of Financial Position date, based on the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

#### *(vii) Capital redemption reserve*

The nominal value of Ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve.

Capital redemption reserve is not available for the payment of dividends.

#### *(viii) Retained earnings*

This consists of the following:

#### *Capital return*

The following are accounted for in this reserve:

- gains and losses on the realisation of fixed asset investments;
- increases and decreases in the valuation of fixed asset investments held at the year end;

- realised foreign exchange differences of a capital nature;
- unrealised foreign exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
- the costs of purchasing Ordinary share capital.

#### *Revenue return*

- the income return or loss for the year is taken to the income element of this reserve.

This element of the retained earnings reserve may be used to fund the distribution of profits to investors via dividend payments only when this is in a surplus position. Currently there is an accumulated loss and therefore no distributions can be paid.

#### *(ix) Borrowing and finance costs*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance costs are recognised in the Income Statement in the period in which they are incurred. All finance costs are directly charged to the revenue column of the Income Account.

## Notes to the Financial Statements *(continued)*

### 2. Accounting policies *(continued)*

#### (c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's Financial Statements on occasion requires management to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment

to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

Management do not believe that any significant accounting judgements have been applied to these Financial Statements other than the allocations between capital and revenue shown in Notes 4 and 5.

### 3. Income

	2023 £'000	2022 £'000
<b>Income from investments</b>		
Dividends from United Kingdom companies	24	–
Dividends from overseas companies	849	738
	<b>873</b>	<b>738</b>
<b>Other income</b>		
Deposit interest	111	–
	<b>111</b>	<b>–</b>
<b>Total income</b>	<b>984</b>	<b>738</b>

### 4. Management fee

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	1,172	–	1,172	1,192	–	1,192
	<b>1,172</b>	<b>–</b>	<b>1,172</b>	<b>1,192</b>	<b>–</b>	<b>1,192</b>

Details of the calculation of the management fee are given in Note 20.



## Notes to the Financial Statements (continued)

### 5. Other expenses

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Directors' remuneration	151	–	151	137	–	137
Auditor's remuneration – audit of the company	52	–	52	34	–	34
Directors' and Officers' liability insurance	9	–	9	12	–	12
Other expenses	309	2	311	292	4	296
	<b>521</b>	<b>2</b>	<b>523</b>	<b>475</b>	<b>4</b>	<b>479</b>

### 6. Ongoing charges

	2023 £'000	2022 £'000
Management fee	1,172	1,192
Other expenses	521	475
Total expenses (excluding finance costs)	1,693	1,667
Average net assets	168,902	173,006
Ongoing charges %	1.00	0.97

### 7. Taxation

#### (a) Analysis of (credit)/charge in year:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas tax (credit)/charge relating to the current year	106	–	106	90	309	399
Overseas tax (credit)/charge relating to the prior year	–	(396)	(396)	–	–	–
<b>Total tax (see Note 7b)</b>	<b>106</b>	<b>(396)</b>	<b>(290)</b>	<b>90</b>	<b>309</b>	<b>399</b>

#### (b) Factors affecting current tax (credit)/charge for the year

The tax assessed for the year is lower (2022: higher) than the standard rate of corporation tax for a company (20.50%) (2022: 19.00%). The differences are explained below:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) before taxation	(709)	15,726	15,017	(929)	(24,084)	(25,013)
Corporation tax at 20.50% (2022: 19.00%)	(146)	3,224	3,078	(176)	(4,576)	(4,752)
<b>Effects of:</b>						
Tax free (loss)/gains on investments	–	(3,224)	(3,224)	–	4,575	4,575
Non-taxable income received	(162)	–	(162)	(126)	–	(126)
Capital expenses deductible for tax purposes	–	–	–	–	1	1
Overseas tax relating to the current year	106	–	106	90	309	399
Overseas tax relating to the prior year	–	(396)	(396)	–	–	–
Income taxed in different years	–	–	–	(1)	–	(1)
Unutilised management expenses for the year	308	–	308	303	–	303
<b>Total tax (credit)/charge for the year</b>	<b>106</b>	<b>(396)</b>	<b>(290)</b>	<b>90</b>	<b>309</b>	<b>399</b>

## Notes to the Financial Statements *(continued)*

### 7. Taxation *(continued)*

Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

There is an unrecognised deferred tax asset of £5,461,000 (2022: £5,076,000) which relates to unutilised excess expenses. The deferred tax asset would only be recovered if the Company were to generate sufficient profits to utilise these expenses. It is considered too uncertain that this will occur and therefore, no deferred tax asset has been recognised.

### 8. Net return/(loss) per Ordinary share

The return per Ordinary share figure is based on the net profit for the year of £15,307,432 (2022: Loss £25,412,443), and on 11,952,159 (2022: 11,955,536) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The return per Ordinary share figure detailed above can be further analysed between revenue and capital, as below.

	2023 £'000	2022 £'000
Net revenue loss	(815)	(1,019)
Net capital return/(loss)	16,122	(24,393)
<b>Net return/(loss)</b>	<b>15,307</b>	<b>(25,412)</b>
Weighted average number of Ordinary shares in issue during the year	11,952,159	11,955,536
Revenue loss per Ordinary share	(6.82p)	(8.52p)
Capital return/(loss) per Ordinary share	134.89p	(204.03p)
<b>Total return/(loss) per Ordinary share</b>	<b>128.07p</b>	<b>(212.55p)</b>

### 9. Investments held as at fair value through profit or loss

#### (a) Portfolio investments

	2023 £'000	2022 £'000
Valuation at beginning of year	147,856	176,854
Investment holding gains/(losses) at beginning of year	17,962	(8,015)
Cost at beginning of year	165,818	168,839
Purchases at cost	42,267	48,729
Sales at cost	(46,142)	(51,750)
Cost at end of year	161,943	165,818
Investment holding (losses) at end of year	(2,809)	(17,962)
<b>Valuation at end of year</b>	<b>159,134</b>	<b>147,856</b>
Investments listed overseas	159,134	147,856
	<b>159,134</b>	<b>147,856</b>

## Notes to the Financial Statements *(continued)*

### 9. Investments held as at fair value through profit or loss *(continued)*

#### (b) Gains on investments

	2023 £'000	2022 £'000
Net gain/(loss) realised on sale of investments	1,321	576
Movement in investment holding gains/(losses)	15,153	(25,977)
<b>Gain/(loss) on investments</b>	<b>16,474</b>	<b>(25,401)</b>

### 10. Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains (2022:(losses)) on investments in the Income Statement. The total costs were as follows:

	2023 £'000	2022 £'000
Purchases	44	42
Sales	29	31
	<b>73</b>	<b>73</b>

### 11. Debtors

	2023 £'000	2022 £'000
Prepayments and accrued income	10	9
Dividends receivable	57	53
Taxation	–	242
	<b>67</b>	<b>304</b>

### 12. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Management fee	298	275
Other creditors and accruals	98	225
Purchases awaiting settlement	102	38
	<b>498</b>	<b>538</b>

## Notes to the Financial Statements *(continued)*

### 13. Financial instruments

#### Background

The Company's financial instruments comprise securities and other investments, cash balances and term loans, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income. The numerical disclosures below exclude short-term debtors and creditors which are denominated in sterling and do not incur interest and therefore are not subject to foreign currency risk or interest rate risk.

The principal risks the Company faces in its portfolio management activities are:

- foreign currency risk
- market price risk
- interest rate risk
- liquidity risk
- credit and counterparty risk

The Portfolio Manager's policies for managing these risks are summarised below and have been applied throughout the year.

#### (a) Foreign Currency Risk

A substantial portion of the financial assets of the Company are denominated in US Dollars with the result that the Statement of Financial Position and Income Statement can be significantly affected by currency movements.

The Company normally takes account of this risk when making investment decisions although it could hedge against foreign currency movements affecting the value of the investment portfolio where adverse movements are anticipated.

#### Foreign currency sensitivity

The principal currency to which the Company was exposed during the year was the US Dollar as all investments are quoted in that currency. The exchange rates applying against sterling at 30 June and the average rates during the year ended 30 June were as follows:

	2023		2022	
	At 30 June	Average for the year	At 30 June	Average for the year
US Dollar	1.2714	1.2041	1.2144	1.3320
	<b>1.2714</b>	<b>1.2041</b>	<b>1.2144</b>	<b>1.3320</b>

The following tables illustrate the sensitivity of the profit after tax for the year and net assets to exchange rates for sterling against the US Dollar. It assumes the following changes in exchange rates:

£/US Dollar +/- 10% (2022: +/- 10%)

These percentages have been determined based on market volatility in exchange rates over the previous twelve months. The sensitivity analysis is based on the company's foreign currency financial instruments held at the date of each Statement of Financial Position.

## Notes to the Financial Statements *(continued)*

### 13. Financial instruments *(continued)*

If sterling had weakened by 10% (2022: 10%) against the currencies this would have had the following effect on revenue, capital, total return and, accordingly, net assets:

	Impact on revenue return £'000	2023 Impact on capital return £'000	Total £'000	Impact on revenue return £'000	2022 Impact on capital return £'000	Total £'000
US Dollar	(111)	15,913	15,802	(103)	14,786	14,683
	<b>(111)</b>	<b>15,913</b>	<b>15,802</b>	<b>(103)</b>	<b>14,786</b>	<b>14,683</b>

If sterling had strengthened by 10% (2022: 10%) against the currencies below this would have had the following effect:

	Impact on revenue return £'000	2023 Impact on capital return £'000	Total £'000	Impact on revenue return £'000	2022 Impact on capital return £'000	Total £'000
US Dollar	111	(15,913)	(15,802)	103	(14,786)	(14,683)
	<b>111</b>	<b>(15,913)</b>	<b>(15,802)</b>	<b>103</b>	<b>(14,786)</b>	<b>(14,683)</b>

#### (b) Market Price Risk

By the very nature of its activities, the Company's investments are exposed to market price fluctuations. The board reviews and agrees policies for managing this risk. The investment adviser assesses the exposure to market price risk when making each investment decision, and monitors the overall level of market price risk on the whole of the investment portfolio on an ongoing basis. Further information on the investment portfolio and investment policy is set out in the Portfolio Manager's Review on page 12.

#### Other price risk sensitivity

The following illustrates the sensitivity of the profit after taxation for the year and the total equity to an increase or decrease of 20% (2022: 20%) in the fair value of the Company's equities. This level of change is considered to be reasonably possible based on observation of market conditions during the year. The sensitivity analysis is based on the Company's equities at each reporting date, with all other variables held constant.

The impact of a 20% increase in the value of investments on the revenue loss for the year to 30 June 2023 is a decrease of £223,000 (2022: £207,000) and on the capital return is an increase of £31,827,000 (2022: £29,571,000).

The impact of a 20% fall in the value of investments on the revenue loss for the year to 30 June 2023 is an increase of £223,000 (2022: £207,000) and on the capital return is a decrease of £31,827,000 (2022: £29,571,000).

## Notes to the Financial Statements (continued)

### 13. Financial instruments (continued)

#### (c) Interest rate risk

Interest rate movements may affect:

- the fair value of investments of fixed interest securities,
- the level of income receivable from any floating interest-bearing securities and cash at bank and on deposit, and
- the interest payable on floating interest term loans.

The financial assets (excluding short-term debtors) consist of:

	Cash flow interest rate risk £'000	2023 No interest rate risk £'000	Total £'000	Cash flow interest rate risk £'000	2022 No interest rate risk £'000	Total £'000
US Dollar	12,444	–	12,444	8,218	–	8,218
	<b>12,444</b>	<b>–</b>	<b>12,444</b>	<b>8,218</b>	<b>–</b>	<b>8,218</b>

The floating interest rate risk assets consist of cash deposits at call.

The financial liabilities consist of:

	Fixed rate £'000	2023 Non-interest bearing £'000	Total £'000	Fixed rate £'000	2022 Non-interest bearing £'000	Total £'000
US Dollar	–	102	102	–	38	38
GBP	–	396	396	–	500	500
	<b>–</b>	<b>498</b>	<b>498</b>	<b>–</b>	<b>538</b>	<b>538</b>

#### (d) Liquidity risk

Liquidity risk is not considered significant. All liabilities are payable within three months. The Company's assets comprise mainly readily realisable securities which can be sold to meet funding requirements if necessary.

#### (e) Credit and Counterparty Risk

Credit risk is the exposure to loss from the failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits. The Company manages credit risk by using brokers from a database of approved brokers who have undergone due diligence tests by the Portfolio Manager's Best Execution Committee and by dealing through JPMCB with banks authorised by the Financial Conduct Authority. Any derivative positions are marked to market and exposure to counterparties is monitored on a daily basis by the Portfolio Manager; the Board reviews it on a quarterly basis. The maximum exposure to credit risk at 30 June 2023 was £12,511,000 (2022: £8,522,000). The calculation is based on the Company's credit exposure as at 30 June 2023 and may not be representative of the year as a whole.

#### (f) Fair value of financial assets and financial liabilities

The financial assets and financial liabilities are carried in the Statement of Financial Position at their fair value or the statement amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals and cash at bank).

## Notes to the Financial Statements *(continued)*

### 13. Financial instruments *(continued)*

#### Fair Value hierarchy

FRS102 – section 34.22 on Financial Institutions requires an entity to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the instrument and not based on available observable market data. The financial assets measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy as follows:

	2023				2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	159,134	–	–	159,134	147,856	–	–	147,856

#### (g) Use of derivatives

In order to enhance returns, the Company may take short positions (using contracts for difference) in respect of a small number of larger capital securities. There were no derivative positions held at the year end (2022: nil).

### 14. Paid-up share capital

	2023		2023	
	Number	£'000	Number	£'000
<b>Ordinary shares of 25p each</b>				
Balance brought forward	11,952,159	2,987	11,964,698	2,990
Ordinary shares repurchased into treasury	–	–	(12,539)	(3)
<b>Closing balance of Ordinary shares</b>	<b>11,952,159</b>	<b>2,987</b>	<b>11,952,159</b>	<b>2,987</b>
<b>Treasury shares</b>				
Balance brought forward	6,271,254	1,568	6,258,715	1,565
Repurchase of Ordinary shares into treasury	–	–	12,539	3
<b>Closing balance of Ordinary shares held in treasury</b>	<b>6,271,254</b>	<b>1,568</b>	<b>6,271,254</b>	<b>1,568</b>
<b>Total</b>		<b>4,555</b>		<b>4,555</b>



## Notes to the Financial Statements *(continued)*

### 15. Share Premium

	2023 £'000	2022 £'000
	19,550	19,550
<b>As at 30 June</b>	<b>19,550</b>	<b>19,550</b>

### 16. Non-distributable reserve

	2023 £'000	2022 £'000
	841	841
<b>As at 30 June</b>	<b>841</b>	<b>841</b>

### 17. Capital redemption reserve

	2023 £'000	2022 £'000
	9,628	9,628
<b>As at 30 June</b>	<b>9,628</b>	<b>9,628</b>

### 18. Retained earnings

The table below shows the movement in the retained earnings analysed between revenue and capital items.

	Revenue return £'000	Capital return £'000	Total £'000
At 1 July 2022	(8,460)	129,726	121,266
Net gain/(loss) for the year	(1,057)	16,364	15,307
<b>At 30 June 2023</b>	<b>(9,517)</b>	<b>146,090</b>	<b>136,573</b>

The capital return includes £2,809,000 of investment holding loss (2022: £17,962,000 of investment holding loss).

### 19. Net asset value per Ordinary share

The net asset value per Ordinary share is based on the net assets attributable to the equity shareholders of £171,147,000 (2022: £155,840,000) and on 11,952,159 (2022: 11,952,159) Ordinary shares, being the number of Ordinary shares in issue at the year end.

## Notes to the Financial Statements *(continued)*

### 20. Related parties and transactions with the Portfolio Manager and the AIFM

#### Directors

There are no transactions with the Directors other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 52 and as set out in Note 5 to the Financial Statements on page 71 and the beneficial interests of the Directors in the Ordinary shares of the company as disclosed on page 53.

#### Transactions with the Portfolio Manager and the AIFM

FundRock Partners Limited is AIFM to the Company pursuant to an Alternative Investment Fund Management Agreement between FundRock Partners Limited and the Company. FundRock Partners Limited has also been appointed to provide company secretarial services to the Company.

Brown Advisory is appointed to provide portfolio management services pursuant to a Portfolio Management Agreement between the Company, FundRock Partners Limited and Brown Advisory.

The management fee is calculated at an annual rate of 0.7% on the first £200 million; 0.6% of the next £300 million; and 0.5% thereafter of the Company's adjusted net assets.

The management fee is payable by the Company to FundRock Partners Limited, who shall deduct from the management fee the amounts due to it as AIFM and for company secretarial services and shall pay the balance to Brown Advisory.

The management fee is calculated and payable on a quarterly basis.

The management fee payable to FundRock Partners Limited for the period from 1 July 2022 to 30 June 2023 was £1,172,000 (payable to FundRock Partners Limited for the period from 1 July 2021 to 30 June 2022: £1,192,000) with £298,000 outstanding as at 30 June 2023 (2022: £275,000).

The appointment of Brown Advisory and FundRock Partners Limited may be terminated by not less than six months' notice.

### 21. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments outstanding at 30 June 2023 (2022: nil).

## Company Information

<b>Directors</b>	Stephen White, Chairman Lisa Booth Jasper Judd Clive Parritt Jane Routledge Tina Soderlund-Boley (resigned on 30 June 2023)
<b>Registered Office</b>	6th Floor, 125 London Wall, London EC2Y 5AS
<b>Portfolio Manager</b>	Brown Advisory LLC 901 South Bond Street, Suite 400, Baltimore, Maryland 21231 United States
<b>Alternative Investment Fund Manager (AIFM)</b>	FundRock Partners Limited Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY Authorised and regulated by the Financial Conduct Authority
<b>Company Secretary</b>	FundRock Partners Limited Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
<b>Telephone</b>	+44 (0)20 3994 7129
<b>Website</b>	<a href="http://www.brownadvisory.com/basc">www.brownadvisory.com/basc</a>
<b>Email</b>	<a href="mailto:InvestmentTrustEnquiries@brownadvisory.com">InvestmentTrustEnquiries@brownadvisory.com</a>
<b>Custodian</b>	J.P. Morgan Chase Bank N.A 25 Bank Street, Canary Wharf, London E14 5JP
<b>Depository</b>	J.P. Morgan Europe Limited 25 Bank Street, Canary Wharf, London E14 5JP Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
<b>Registrars</b>	Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
<b>Telephone</b>	0370 889 4089
<b>Website</b>	<a href="http://www.investorcentre.co.uk">www.investorcentre.co.uk</a>
<b>Independent Auditor</b>	Haysmacintyre LLP 10 Queen Street Place, London EC4R 1AG
<b>Company Registration Number</b>	02781968 Registered in England & Wales An investment company under s.833 of the Companies Act 2006
<b>Investor Codes</b>	The Ordinary shares of the Company are traded on the London Stock Exchange.
<b>Sedol Number</b>	Ordinary shares 0346340
<b>ISIN</b>	Ordinary shares GB0003463402
<b>Ticker</b>	Ordinary shares BASC

The company is a member of



## Investor Information

### Performance Updates

The Company publishes a monthly factsheet which contains key information about its performance, investment portfolio and pricing. The factsheets, together with electronic copies of the most recent full and interim reports and financial statements, are available for download from [www.brownadvisory.com/basc](http://www.brownadvisory.com/basc). Should you wish to be added to an email distribution list for future editions of the monthly factsheet, please send an email to [InvestmentTrustEnquiries@brownadvisory.com](mailto:InvestmentTrustEnquiries@brownadvisory.com). For investors who do not have access to the internet, these documents are also available on request from Brown Advisory's Client Services Team on +44 (0)20 3301 8130.

Further information about the Company is also available from third party websites such as [www.morningstar.co.uk](http://www.morningstar.co.uk) and [www.theaic.co.uk](http://www.theaic.co.uk).

### Retail distribution of non-mainstream products

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's Ordinary shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are Ordinary shares in an investment trust.

### Dividend Tax Allowance

With effect from 6 April 2016 the dividend tax credit was replaced by an annual tax-free dividend allowance. Dividend income in excess of this allowance will be taxed according to your personal income tax bracket. The Company's Registrar will continue to provide shareholders with confirmation of dividends paid; shareholders should retain such confirmations to enable them to calculate and report total dividend income received. Shareholders should note that it is their sole responsibility to report any dividend income in excess of their annual tax-free allowance to HMRC.

Further information on changes to dividend tax allowance can be obtained from the HMRC website at: <https://www.gov.uk/tax-on-dividends>.

### Changes to our Data Privacy Notice

We have updated our Privacy Notice to align with the new data privacy law in the European Union, known as the General Data Protection Regulation (GDPR) to which we are subject. Data protection and the security of your information has always been, and remains, important to us.

Any information concerning Shareholders and other related natural persons (together the Data Subjects) provided to, or collected by or on behalf of, Brown Advisory LLC and/or FundRock Partners Limited (the Controllers) (directly from Data Subjects or from publicly available sources) may be processed by the Controllers as joint controllers, in compliance with the GDPR.

You are not required to take any action in respect of this notice, but we encourage you to read our Privacy Notice. Our Privacy Notice can be found on our website, [www.brownadvisory.com/basc](http://www.brownadvisory.com/basc). In the event that you hold your shares as a nominee, we request that you promptly pass on the details of where to find our Privacy Notice to the underlying investors and/or the beneficial owners.

## Investor Information *(continued)*

### Managing your account online

The Company's registrar, Computershare Investor Services PLC, allows you to manage your shareholding online. If you are a direct investor, you can view your shareholding, change the way the registrar communicates with you and buy and sell shares. If you haven't used this service before, you can enter the name of the Company and register your account at <https://www-uk.computershare.com/investor>. You'll need your Investor code (IVC) printed on your share certificate in order to register.

Computershare's contact details are as follows:

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road BRISTOL BS99 6ZZ  
Telephone: +44 (0)370 889 4089

*\* Calls to this number are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 09:00 a.m. – 17:30 p.m. Monday to Friday.*

## Important Risk Warnings

### Advice to shareholders

In recent years investment related scams have become increasingly sophisticated and difficult to spot. We are therefore warning all our shareholders to be cautious so that they can protect themselves and spot the warning signs.

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they are only making the offer available to you
- ask you to not tell anyone else about it

You can avoid investment scams by:

- **Rejecting unexpected offers** – Scammers usually cold call but contact can also come by email, post, word of mouth or at a seminar. If you have been offered an investment out of the blue, chances are it's a high-risk investment or a scam.
- **Checking the FCA Warning List** – Use the FCA Warning List to check the risks of a potential investment. You can also search to see if the firm is known to be operating without proper FCA authorisation.
- **Getting impartial advice** – Before investing get impartial advice and don't use an adviser from the firm that contacted you.

If you are suspicious, report it.

- You can report the firm or scam to the FCA by contacting their Consumer Helpline on **0800 111 6768** or using their online reporting form.
- If you have lost money in a scam, contact Action Fraud on **0300 123 2040** or visit **[www.actionfraud.police.uk](http://www.actionfraud.police.uk)**

For further helpful information about investment scams and how to avoid them please visit **[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**.

## Glossary of Terms including Alternative Performance Measures

### Alternative performance measures

The European Securities and Markets Authority ('ESMA') published its guidelines on Alternative Performance Measures ('APMs'). APMs are defined as being a 'financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable accounting framework.'

The guidelines are aimed at promoting the usefulness and transparency of APMs included in regulated information and aim to improve comparability, reliability and/or comprehensibility of APMs. The following APMs are used throughout the Annual Report, Financial Statements and Notes to the Financial Statements.

### Benchmark total return index

A total return index is a type of equity performance index that tracks both the capital gains of a group of stocks over time, and assumes that any cash distributions, such as dividends, are reinvested back into the index.

### Discount\*

The amount, expressed as a percentage, by which the share price is less than the net asset value per share.

At 30 June 2023 the share price was 1,220.0p and the net asset value per share (cum income) was 1,431.9p, the discount therefore being 14.8%.

### Discount management

Discount management is the process of the buy-back and issue of company shares by the company, to and from its own holding or 'treasury' with the intention of managing any imbalance between supply and demand for the company's shares and thereby the market price. The aim is to ensure that, in normal market conditions, the market price of the company's shares will not materially vary from its NAV per share. The authority to repurchase the company's shares is voted upon by the shareholders at each annual general meeting.

### Gearing\*

Gearing is the borrowing of cash to buy more assets for the portfolio with the aim of making a gain on those assets larger than the cost of the loan. However, if the portfolio doesn't perform well, the gain might not cover the costs. The more an investment company gears, the higher the risk.

Gearing is defined as the ratio of the Company's debt less cash held, where debt exceeds cash, compared to its net assets, expressed as a percentage.

### Middle-market price

The middle-market price is the mid-point between the buy and the sell prices.

### NAV per share

The net asset value ('NAV') is the value of the investment company's assets less its liabilities. The NAV per share is the NAV divided by the number of shares in issue. The difference between the NAV per share and the share price is known as the discount or premium.

As at 30 June 2023, the net asset value per share was 1,431.9p.

### Ongoing charges\*

Ongoing charges are the total expenses including both the portfolio management fee and other costs, but excluding finance costs (if applicable), as a percentage of the average NAV over the financial year.

The calculation of the ongoing charges is provided in Note 6 to the Financial Statements on page 71.

### Premium\*

The amount, expressed as a percentage, by which the share price is more than the net asset value per share.

\* *Alternative performance measure.*



## Glossary of Terms including Alternative Performance Measures *(continued)*

### PRIIPS Key Information Documents

Since 1 January 2018 there has been a requirement to provide investors with a Key Information Document ("KID") which includes performance projections which are the product of prescribed calculations based on the Company's past performance. The content and format of the KID cannot be amended under the applicable EU regulations. The AIC has stated that these documents are potentially misleading for shareholders and since 1 January 2023, preparers of the PRIIPs and KIDs have been required to publish a KID in accordance with updated rules. These were introduced by the FCA as set out in PS22/2: PRIIPs – Final scope rules and amendments and changes made to the Regulatory Technical Standards (RTS). The Board is strongly of the view that these projections are not an appropriate or helpful way to assess the Company's future prospects. Accordingly, the Board urges shareholders to consider the more complete information set out in both the Company's half yearly financial report and Annual Report and Financial Statements, together with the monthly factsheets, and daily NAV announcements, when considering an investment in the Company's shares. These documents are available on the Company website at:

[www.brownadvisory.com/basc](http://www.brownadvisory.com/basc).

### Treasury shares

Treasury shares are the part of the issued share capital that is held by the Company. They do not rank for dividends and do not have voting rights. The Company uses treasury shares for discount management purposes as described above and in more detail in the Strategic Review on page and in the Report of the Directors 'Repurchase of Shares' on page 37.

## Notice of Annual General Meeting

This Notice of Meeting is an important document. If you are in any doubt as to what action to take, you should consult an appropriate independent adviser.

Notice is hereby given that the Annual General Meeting of Brown Advisory US Smaller Companies PLC will be held at the offices of Brown Advisory LLC, 18 Hanover Square, London W1S 1JY on Monday, 6 November 2023 at 2:00 p.m. for the following purposes:

### Ordinary Business

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. That the Report of the Directors and the audited Financial Statements of the Company for the year ended 30 June 2023 be received and adopted.
2. That the Directors' Remuneration Report for the year ended 30 June 2023 be approved.
3. That the Directors' remuneration policy be approved.
4. That Ms L Booth be re-elected as a Director of the Company.
5. That Mr J Judd be elected as a Director of the Company.
6. That Mr C Parritt be re-elected as a Director of the Company.
7. That Ms J Routledge be elected as a Director of the Company.
8. That Mr S White be re-elected as a Director of the Company.
9. That Haysmacintyre be re-appointed as Auditor of the Company.
10. That the Directors be authorised to agree the remuneration of the Auditor.

### Special Business

To consider, and if thought fit, to pass Resolutions 11 and 12 as Ordinary Resolutions and Resolutions 13, 14 and 15 as Special Resolutions:

#### Ordinary Resolutions:

11. That the Company continue as an investment trust.
12. That the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 ('the Act'), in substitution for and to the exclusion of any outstanding authority previously conferred on the Directors under Section 551 of the Act, to allot shares in the capital of the Company ('shares') up to a maximum aggregate nominal amount of £298,804 (being 10% of the Company's issued share capital (excluding treasury shares)) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the authority hereby conferred had not expired.

#### Special Resolutions:

13. That the Directors of the Company be and are hereby granted power pursuant to Section 570 and/or Section 573 of the Companies Act 2006 ('the Act') to allot equity securities (within the meaning of Section 560 of the Act) for cash either pursuant to the authority conferred by Resolution 12 or by way of a sale of treasury shares, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities up to an aggregate nominal amount of £298,804 (being 10% of the Company's issued share capital (excluding treasury shares)); and

## Notice of Annual General Meeting *(continued)*

- (b) in addition to the authority referred to in (a) above, in connection with an offer of equity securities by way of a rights issue or open offer to Ordinary shareholders in proportion as nearly as may be practicable to their existing holdings subject to such limits or restrictions or other arrangements as the Directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws or requirements of, any territory or the requirements of any regulatory body or stock exchange or any other matter, and provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority hereby conferred had not expired.
14. That the Company be and is generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (within the meaning of Section 693 of the Act) of Ordinary shares provided that:
- (a) the maximum number of shares that may be purchased is 1,791,629 Ordinary shares, being 14.99% of the issued number of shares (excluding treasury shares) at the date of this document or, if lower, such number as is equal to 14.99% of the issued number of shares (excluding treasury shares) at the date of passing the resolution;
- (b) the minimum price which may be paid shall be each of their respective nominal values;
- (c) the maximum price (excluding the expenses of such purchase) which may be paid for each Ordinary share is the higher of:
- (i) 105% of the average middle market quotations for such Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is purchased; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation EC 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No. 2273/2003); and
- (d) unless renewed, this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2024 save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.
15. That a General Meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

### By Order of the Board

FundRock Partners Limited  
Company Secretary  
15 September 2023

## Notes for the Annual General Meeting

1. A Member entitled to attend and vote may appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed which, if used, must be lodged at the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than forty-eight hours before the Meeting. Alternatively you can appoint a proxy electronically by visiting [www.eproxyappointment.com](http://www.eproxyappointment.com). You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy or contained within the email sent to you. To appoint more than one proxy you may photocopy this form. You may appoint a person other than the Chairman as your proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the shareholders AGM (and for the purpose of the determination by the Company of the number of votes they may cast), Members must be entered on the Company's Register of Members at 2:00 p.m. on 2 November 2023. If the meeting is adjourned then, to be so entitled, Members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
3. As at 13 September 2023 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital was 18,223,413 Ordinary shares and the total voting rights were 11,952,159.
4. The vote 'Withheld' is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Withheld' vote is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
5. The completion and return of this form will not preclude a Member from attending the meeting and voting in person.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 6 November 2023 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be

properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent ID (3RA50) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Any corporation which is a Member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 2:00 p.m. on 2 November 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

## Notes for the Annual General Meeting *(continued)*

8. If you have disposed of your holding in the Company this document should be passed on to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.
9. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. A copy of the Notices of Meetings and other information required by section 311A of the Companies Act 2006, can be found at [www.brownadvisory.com/basc](http://www.brownadvisory.com/basc).
11. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a Member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
12. Under Sections 338 and 338A of the 2006 Act, Members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to Members of the Company entitled to receive notice of the Meeting, notice of a resolution which those Members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
13. Under Section 527 of the Act, shareholders meeting the threshold requirement set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
  - (i) The audit of the Company's Financial Statements (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or
  - (ii) any circumstances connected with the auditor of the Company ceasing to hold office since the previous AGM at which the annual financial statements and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to cover any costs incurred in complying with Section 527 or 528 and is required to forward any statement placed on a website to the Company's auditor not later than the time when it makes the statement on the website.

The business which may be dealt with at the meeting includes any statements that the Company has been required under Section 527 of the Act to publish on a website.
14. Shareholders are advised that, unless otherwise stated, any telephone number, website and email address set out in this Notice of Meeting, Form of Proxy, or Annual Report should not be used for the purpose of serving information on the Company (including the service of documents or information relating to the proceedings at the Company's AGM).



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