

BBH Luxembourg Funds - BBH Core Select

Quarterly Fund Update / 2Q 2024

2Q Highlights

- During the 2nd quarter of 2024, most holdings in the BBH Luxembourg Funds – BBH Core Select Fund - Class X (“the Fund”) reported 1st quarter 2024 results and provided near and longer-term guidance.
 - The financial results of the Fund’s holdings were strong on an absolute basis and compared favorably to the benchmark S&P 500 Index (“the Index”).
 - We would characterize forward guidance by the Fund’s holdings as increasingly cautious near-term and highly confident medium to longer term.
- The Fund gained 3.19% in the 2nd quarter of 2024, with an absolute contribution of 387 basis points coming from just two sectors: Information Technology and Communication Services.
 - While strong on an absolute basis, the stock price performance of the Fund compared unfavorably to the 4.28% quarterly gain of the Index.

Market Overview

2Q 2024

During the 2nd quarter of 2024, most companies in the Index reported 1st quarter 2024 results and provided near and longer-term guidance. The financial performance of the Index continued the improvement seen in the latter part of the prior year with net earnings and free cash flow (FCF)¹ per share in the 1st quarter of 2024 increasing 3.45% and 3.40%, respectively, over the comparative 1st quarter 2023 period. While still below long-term average and normalized rates of growth for the Index, the early results in 2024 represent a meaningful improvement over 2023, which was a fundamentally challenging year for the Index with net earnings and free cash flow per share declining 1.4% and 3.1%, respectively, over the prior year period. We would characterize forward guidance by the companies in the Index as unusually mixed, with pockets of fervent optimism related to artificial intelligence and, longer-term, the energy transition, dominating investor sentiment, effectively drowning out concerns and risks expressed by companies that predominately operate in other parts of the economy.

Regardless of the mixed and rather subdued outlook provided during the 2nd quarter of 2024, the Index continued to build on its incredibly robust stock price performance in 2023 and the 1st quarter of 2024 to post a further gain of 4.28% during the 2nd quarter 2024 period. The strong stock price performance of the Index during the 2nd quarter of 2024 was primarily led by Information Technology (+13.8%), Communication Services (+9.4%), and Utilities (+4.7%), contributing approximately 500 basis points² on an absolute basis to total return. High levels of concentration driving the stock price performance of the Index remained a key theme during the 2nd quarter of 2024.

Holdings As of 30 June 2024	
Alphabet Inc (Class C)	7.5%
Microsoft Corp	6.7%
KLA Corp	6.0%
Berkshire Hathaway Inc (Class A)	5.3%
Linde PLC	5.2%
Mastercard Inc	4.9%
Oracle Corp	4.8%
Progressive Corp	4.6%
Waste Management Inc	4.3%
Costco Wholesale Corp	4.2%
Arthur J Gallagher & Co	3.9%
Alcon Inc	3.8%
Amazon.com Inc	3.8%
Booking Holdings Inc	3.7%
Adobe Inc	3.3%
Zoetis Inc	3.2%
Thermo Fisher Scientific Inc	3.0%
S&P Global Inc	2.8%
Texas Instruments Inc	2.6%
Abbott Laboratories	2.4%
UnitedHealth Group Inc	1.9%
NIKE Inc (Class B)	1.7%
Automatic Data Processing Inc	1.4%
Nestle SA ADR	1.2%
Diageo PLC ADR	1.2%
Otis Worldwide Corp	1.1%
Cash & Cash Equivalents	5.5%

Holdings are subject to change.

This is a marketing communication. Please refer to the prospectus of the fund and to the KIID/KID before making any final investment decisions.

¹ Free cash flow (FCF) is the cash a company generates after taking into consideration cash outflows that support its operations and maintain its capital assets.

² Basis points (bps) is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Fund Commentary

During the 2nd quarter of 2024, most of the Fund's holdings reported 1st quarter 2024 results and provided near and longer-term guidance. The financial results of the Fund's holdings were strong on an absolute basis with net earnings and free cash flow per share growing 29.7% and 21.6%, respectively. This compared very favorably to the fundamental performance of the Index, where net earnings and free cash flow per share in the 1st quarter of 2024 increased 3.45% and 3.40%, respectively, over the comparative 1st quarter 2023 period, continuing a multi-year period of fundamental outperformance.³

Free Cash Flow per Share				
Calendar Year Ending 2023				
	1 Year/Year	3 Year CAGR	4 Year CAGR	5 Year CAGR
Fund	21.8%	10.0%	12.6%	9.9%
Index	-3.1%	5.2%	5.7%	5.1%

Net Earnings per Share				
Calendar Year Ending 2023				
	1 Year/Year	3 Year CAGR	4 Year CAGR	5 Year CAGR
Fund	15.7%	15.7%	14.9%	10.6%
Index	-1.4%	16.7%	8.0%	6.7%

Past performance does not predict future results

The Fund gained 3.19% in the 2nd quarter of 2024, with an absolute contribution of 387 basis points coming from just two sectors: Information Technology and Communication Services. While strong on an absolute basis, the stock price performance of the Fund compared unfavorably to the 4.28% quarterly gain of the Index.

Much of the Fund's underperformance during the 2nd quarter of 2024 can be attributed to the Fund's cash position relative to the strong returns of the Index and to the materially negative movement in the stock price of Nike (NKE), which declined almost 20% during the 2nd quarter of 2024 and ~31% during the 1st half of the year.

The Fund's current cash position reflects our valuation discipline. Specifically, we have and will continue to trim and sell portfolio companies when valuations increase to levels we believe to be in excess of the range of reasonable economic outcomes implied by current stock prices. Conversely, we may add new portfolio companies that meet our investment criteria and may add to existing portfolio company positions when valuations are at levels we believe to be attractive in light of the range of reasonable economic outcomes implied by current stock prices.

Relative to NKE's substantial absolute and relative underperformance, we note several factors and forces, some of which are conflicting, and share our current perspective.

Nike has recently experienced an increasingly pronounced deteriorating trend in legacy product sales and an improvement in new and innovatively refreshed products revenues, which have manifest themselves in improvement in the Company's Performance products and weakness in the Lifestyle products given the Company's planned innovation pipeline rollout which had prioritized the Performance group of products. As a result of this observation, Nike has decided to aggressively manage the current channel inventory of its legacy Lifestyle products and invest behind the new and innovative product pipeline planned for this segment of its business. The result of this has been a year-over-year decline in revenue and a challenging transition period.

Despite our disappointment with the change in Nike's near-term outlook, these concerns are somewhat tempered by a reasonably strong competitive and financial position. During the company's recently concluded May 2024 fiscal year, we note continued strong economic value creation behind its strong competitive franchise, with operating cash flow, free cash flow, and free cash flow per share respectively increasing 27%, 33%, and 38% over the comparative prior fiscal year period. We also believe that the strategic, operating, and financial plans are reasonable and make good sense considering the Company's observations throughout the year. We will continue our diligence to assess the degree to which the expected deterioration in near term financial performance is (i) cyclical, (ii) company-specific but addressable with current or further plans, or (iii) structural. The result of this work and ongoing diligence may lead us to maintain our position in NKE at either the current or a different portfolio

³ 5 Year CAGR BBH analysis period starting 2018 through 2023, 5 Year Avg BBH analysis period starting 2019 through 2023. CAGR = compound annual growth rate; EBITDA = earnings before interest, taxes, depreciation, and amortization.

weight or to exit the position entirely. We will be governed by our research-focused efforts on economic value creation and valuation, on both an absolute level and relative to the Index.

Over any period of time, stock prices reflect the confluence of many factors as well as the perspectives of myriad other investors, both active and passive, that do not share our perspectives on risk, fundamental economic value creation, or how to properly measure it. Regardless of these other views, over the long-term, we believe that it is a reasonable and an economically sound premise that the price of stocks should follow their growth in Free Cash Flow per share and that attractive valuations support economic upside and mitigate risk. Consequently, that will remain our focus as we seek to deliver both strong absolute and relative after-tax returns over the long term.

Fund Activity

During the quarter, we purchased one new company, exited two successful long-term investments, and made several portfolio rebalancing trades reflective of relative valuation opportunities, risk and fit with our investment criteria.

The new company purchased during the quarter was Otis Worldwide (Otis). Otis is the world's leading elevator and escalator manufacturing, installation, and service company, meeting the needs of customers in over 200 countries around the world. The Company has global scale but maintains a local focus, with more than 1,400 branches and offices, and a direct physical presence in more than 70 countries.

Otis is organized into two segments, New Equipment and Service, which for the year ended December 31, 2023, contributed 41% and 59% of net sales, and 15% and 85% of our segment operating profit, respectively. New Equipment is important as a profitable source of growth, but more importantly as it feeds the installed base of units which the company works diligently to convert to durable service contracts that possess exceptional levels of economic profit over their life, which rollover with high degrees of retention and for long periods of time. Modernization of the current installed base is a critical and growing driver of the Company's Service business. Business maintenance and growth is largely customer funded, both in terms of New Equipment and Service, as customers pay upfront and in advance of most work the Company performs.

The financial characteristics of the company are among the most attractive of all industrial companies in the world given an extremely favorable industry structure, concentrated competitive landscape, and management team that possesses strong operational and capital allocation skills.

We believe current valuations for Otis' stock to be attractive on both an absolute and relative basis. Given our belief that stock prices follow economic value creation over time and the currently constructive valuation of the company's stock, we expect Otis to generate strong absolute and relative stock price returns over the long term, while at the same time offering attractive dividend characteristics.

During the quarter, we exited our positions in A.O. Smith (AOS) and Copart (CPRT), two successful long-term investments given our view of valuation concerns. In addition, we made several portfolio rebalancing trades reflective of relative valuation opportunities, risk and fit with our investment criteria.

Outlook

Today's market environment warrants caution, in our view. Current valuations are full to overflowing on most traditional metrics as well as our preferred intrinsic value⁴ methodology. In addition, current market expectations for growth appear robust to us. Consensus expectations for earnings growth for the Index are approximately 7.5% for 2024 and 15% for 2025. While these estimates are plausible, they are high relative to both recent levels of performance and longer-term normalized rates of growth. While we remain focused on finding new investments that meet our investment criteria, we will do so in the context of a market environment we view as challenged and dripping in risks on many fronts.

To conclude, we were pleased by the continued overall strong absolute and relative fundamental financial and operating performance of the Fund's holdings. We were also pleased with the strong stock price performance of the Fund during the 2nd quarter of 2024. Given the near and longer-term outlooks provided by the companies in the Fund, we are optimistic that these strong trends will continue and are hopeful that the differentiated financial attributes of the Fund will be better recognized by other investors in the future, improving the stock price performance of the Fund relative to the Index over time.

BBH Large Cap Equity Team

Hayley Xuereb, Chris Stonerook, Anurag Dhanwantri, Rohit Mitter and Scott Hill

⁴ The weighted average percentage of intrinsic value represents the market value of the portfolio securities as a percentage of what BBH estimates to be the present value of the cash that the portfolio's businesses can generate and distribute to shareholders over the businesses' remaining life.

Performance

Past performance does not predict future results

Annual Returns

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class X	22.04%	-21.76%	25.54%	11.56%	28.09%	-8.25%	18.11%	7.06%	-3.77%	6.91%
S&P 500	26.29%	-18.11%	28.71%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%

As of 30/06/2024

Average Annual Total Returns

	1 Yr.	2 Yr.	3 Yr.	4 Yr.	5 Yr.	10 Yr.	Since Inception
Class X	19.77%	17.35%	6.56%	12.84%	9.98%	8.13%	9.89%
S&P 500	24.56%	22.05%	10.01%	17.01%	15.05%	12.86%	14.56%

Class X Inception: 10/07/2012

Class X Ongoing Charges: 1.70%

The past performance excludes the entry and exit charges. This figure may vary from year to year. It excludes portfolio transaction costs. The entry charge is 5% of the initial price or subscription price. Fund shares redeemed within 30 days of purchase may be subject to an exit charge of 2%. The entry and exit charges shown are maximum figures. In some cases you may pay less. Past Performance has been calculated in USD. Performance can be increased or reduced as a result of currency fluctuations.

Class X Shares are accumulating Classes of Shares and, as such, have no distributions. Any income will automatically be included in the value of your investment.

The S&P 500 is an unmanaged weighted index of 500 stocks providing a broad indicator of stock price movements. The composition of the index is materially different than the Fund's holdings. The index is not available for direct investment.

Sources: BBH & Co. and S&P

Share Class Overview

As of 30 June 2024

	ISIN	Inception Date	Total Net Assets (mil)	NAV
Class X	LU0643341406	7/10/2012	\$2.6	\$31.00

Equity Weighting
As of 30 June 2024

Common Stock	94.5%
Cash and Cash Equivalents	5.7%
Other Assets in Excess of Liabilities	0.2%
Total	100.0%

Sector Weighting
As of 30 June 2024

Communication Services	8.0%
Consumer Discretionary	9.7%
Consumer Staples	7.0%
Energy	0.0%
Financials	22.7%
Health Care	15.3%
Industrials	7.2%
Information Technology	24.8%
Materials	5.5%
Real Estate	0.0%
Utilities	0.0%
Total	100.0%

Reported as a percentage of portfolio securities, excluding Cash and Cash Equivalents.

Top 10 Companies
As of 30 June 2024

Alphabet Inc (Class C)	7.5%
Microsoft Corp	6.7%
KLA Corp	6.0%
Berkshire Hathaway Inc (Class A)	5.3%
Linde PLC	5.2%
Mastercard Inc	4.9%
Oracle Corp	4.8%
Progressive Corp	4.6%
Waste Management Inc	4.3%
Costco Wholesale Corp	4.2%
Total	53.4%

Reported as a percentage of total portfolio.

Fund Facts
As of 30 June 2024

Total Net Assets (mil)	\$336.2
Number of Securities Held	26
Average P/E	28.7
Average Market Cap (bil)	\$563.1

Excludes cash equivalents

An investment is in shares of the fund and not in any underlying investment owned by the fund.

Holdings are subject to change. Totals may not sum due to rounding. Price/Earnings (P/E) ratio is a company's current share price divided by earnings per-share.

Contribution figures are presented gross of fees and do not include cash and cash equivalents.

Purchase and sale information provided should not be considered as a recommendation to purchase or sell a particular security and that there is no assurance, as of the date of publication, that the securities purchased remain in a fund's portfolio or that securities sold have not been repurchased.

Opinions, forecasts, and discussions about investment strategies represent the author's views as of the date of this commentary and are subject to change without notice. References to specific securities, asset classes, and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as recommendations.

The composition of the index is materially different than the Fund's holdings. The Fund is actively managed and does not measure its performance success or alter its construction in relation to any particular benchmark or index. The index is not available for direct investment.

RISKS

The value of the Fund fluctuates as the value of the underlying shares in which it invests fluctuate. The Fund is subject to equity risk, in that its investments in shares are subject to market risks that may cause their prices to fluctuate over time. This can affect the value of your investment. Political and economic changes as well as changes in the company in which the Fund invests may also affect the value of your investment.

The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

The Fund is 'non-diversified' and may assume large positions in a small number of issuers which can increase the potential for greater price fluctuation.

Non-U.S. investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

Complete information on the Fund's risks and expenses can be found in the prospectus, which you should read carefully before investing.

The decision to invest in the fund should take into account all the characteristics or objectives of the fund as described in its prospectus

Other Important Disclosures

Brown Brothers Harriman & Co. ("BBH") is the promoter and principal distributor of the Funds. Brown Brothers Harriman Mutual Fund Advisory Department (a separately identifiable department of BBH) provides investment advice to the Funds. BBH Luxembourg Funds (the "Company") is a Luxembourg-registered Société d'Investissement à Capital Variable - undertaking for collective investment in transferrable securities (SICAV-UCITS) regulated by the Commission de Surveillance du Secteur Financier ("CSSF"), the Luxembourg financial services authority. The SICAV designated FundRock Management Company S.A. to serve as its designated management company in accordance with Chapter 15 of the Luxembourg Law of 17th December 2010; FundRock Management Company S.A. was incorporated on 10 November 2004 for an unlimited duration under the laws of Luxembourg and registered on the official list of Luxembourg management companies.

Either Brown Brothers Harriman or FundRock may terminate agreements for marketing under the denotification process in the new Cross-border Distribution Directive (Directive EU 2019/1160).

BBH has prepared this communication for use on a confidential and limited basis solely for the information of those to whom it is transmitted and is not to be reproduced or used for any other purpose. This communication, that constitutes a marketing communication, is intended to be a general update of the Fund and does not constitute an offer to sell, or a solicitation of an offer to purchase, any interest in the Fund or any other investment product in any jurisdiction where such offer or solicitation is not lawful, where marketing to the intended recipient is prohibited or where the person making such offer or solicitation is not qualified to do so.

The Fund may be promoted and sold to the general public in the UK and Luxembourg subject to compliance with applicable law and local regulations. Potential investors in these countries should be aware that most of the protections afforded by their local regulations may not apply to an investment in the Fund and that compensation may not be available under their local laws.

Subscriptions will only be received and shares issued on the basis of the current prospectus of the Company (the "Prospectus") and applicable Key Investor Information Documents of the Fund (the "KIIDs") or Key Information Documents of the Fund (the "KIDs"). Investment in this Fund entails risks which are described in more detail in the Prospectus and the KIIDs/KIDs. Investors should obtain and read a copy of the Prospectus and the KIIDs/KIDs before investing. Exit Charges are payable to the Fund and not BBH. For a copy of the Prospectus and the KIDs, in English or German or the KIIDs in English, please contact the Company's representative or its local distributor, or access the following site: www.bbhluxembourgfund.com. The contact details of the Company's representatives in the countries where the Company is registered are provided below in the section for each country.

The Company complies with the European Directive 2009/65/EC on undertaking for collective investment in transferable securities (UCITS), dated 13 July 2009, which established a set of common rules in order to permit the cross border marketing of collective investment schemes. Unauthorized distribution, reproduction or redistribution of this document without the prior written permission of the Company is prohibited. Potential investors in the Fund should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of shares of the Fund.

Neither the Fund nor any of its shares have been registered, nor will be registered, under the U.S. Investment Company Act of 1940, as amended, or the U.S. Securities Act of 1933, as amended, and, as such, may not be offered or sold directly or indirectly in the United States or to a U.S. person.

For Prospective Investors Domiciled in Luxembourg:

The Company's address in Luxembourg is 6, route de Trève, L-2633 Senningerberg, Grand Duchy of Luxembourg (Tel.: +1-800-625-5759).

For Prospective Investors Domiciled in the UK:

The Fund is duly registered with the UK Financial Conduct Authority. The representative agent of the Fund in the UK is BBH ISL Tel: +44-207-614-2113.

For Prospective Investors Domiciled in Germany:

The Fund is duly registered with the German Federal Financial Supervisory Authority, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). The representative agent of the Fund in Germany is Société Générale (Dejan Djurdjevi - Tel.: +49 (0) 69 7174 497).

The Fund is classified as Article 6 under the Sustainable Finance Disclosure Regulation.

Additional information regarding the Fund including investment positions is available upon request.