BBH Partner Fund – Small Cap Equity

Quarterly Fund Update / 1Q 2024

The BBH Partner Fund – Small Cap Equity (the "Fund") appreciated 0.26% in the first quarter of 2024 compared with a 5.18% increase in the Russell 2000 index. 2024 has thus far continued a favorable trend for U.S. equity prices that our strategy has only partially captured. At different times, various stocks receive disproportionate favor – or disfavor – based on a host of market- and company-specific factors. We accept this reality and – as much as possible – seek to exploit the temporary dislocations between market prices and intrinsic values[1] that it produces. This is part of our approach towards compounding capital at above-average rates by finding and owning a portfolio of qualitatively exceptional companies that are equipped to do the same.

As we survey our portfolio, we continue to believe that we have assembled a collection of competitively advantaged and soundly managed businesses. Consequently, we remain confident in the prospects of our holdings to drive commercial progress, growth in free cash flow (FCF)[2] per share, and – ultimately – share price appreciation. At the same time, we are encouraged by the discounts that we see in the broader small-cap segment of U.S. equities, underscored by the continued relative underperformance of the asset class compared with larger peers. Against this backdrop, we see abundant opportunity to maximize the return potential of our portfolio through concentration of capital in resilient companies with the ability to compound intrinsic value at category-leading rates over long periods of time.

Performance
As of March 31, 2024

	Total Returns		Average Annual Total Returns				
	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	0.26%	0.26%	6.66%	N/A	N/A	N/A	-8.96%
Benchmark	5.18%	5.18%	19.71%	N/A	N/A	N/A	-0.38%

Class I Inception: 7/8/2021

Class I: Total Expense Ratio (%): 0.92

Returns of less than one year are not annualized.

Performance data quoted represents past performance. Past performance does not guarantee future results, and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. For the most recent month-end performance, call 1 (800) 625-5769. *Fund shares redeemed within 30 days of purchase are subject to a redemption fee of 2.00%.*

The Fund's benchmark is the Russell 2000 index.

Expenses are based on estimated amounts for the current fiscal year.

Sources: BBH & Co. and Russell

Performance Drivers

Our best-performing position during the quarter was **Despegar (DESP)**, with a share price gain of 26.4%. DESP is the largest online travel agency in Latin America, having facilitated $5.3 billion of gross bookings in 2023 for millions of travel customers in 19 countries across over 250 airlines, 650,000 hotels, and a wide range of alternative accommodations and travel experiences providers. By virtue of its supply-side and demand-side scale and trusted brand in the region, especially relative to local competitors, DESP is competitively advantaged and well-positioned to continue taking share in the large, fragmented, and digitizing Latin American travel market.

During 2023, DESP benefited from a recovery in travel booking demand across Latin America. In addition, platform enhancements and operational efficiencies implemented over the last few years drove higher take rates and profitability for the company. These trends are occurring as DESP's competitive position appears to be strengthening, highlighted by the recent exits of local competitors such as 123milhas, operator of a potentially disruptive but ultimately unsustainable travel booking platform in Brazil. Thus, DESP has come out of the COVID-19 pandemic with gross bookings, revenue, and profits at or above all-time highs and with growth accelerating above pre-pandemic levels. DESP is entering this phase with an enhanced competitive profile; a more diversified and balanced geographic exposure; a growing mix shift towards app-based and organic traffic; and higher margins.

[1] Bares' estimate of the present value of the future cash flow that a business will generate over its remaining life.

[2] 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.

This makes DESP a demonstrably healthier and stronger business now than it was before the pandemic. Though we elected to trim our holdings to rebalance into other opportunities after the share price more than doubled over the last twelve months, we continue to believe that DESP remains a compelling and attractively priced holding.

Our second-best performing position was **Onto Innovation (ONTO)** with a share price gain of 18.4%. ONTO is a leading provider of inspection instruments, process control tools, and yield management solutions used in semiconductor manufacturing to optimize the production of integrated circuits and packages. ONTO's systems are critical components of semiconductor manufacturing lines that are specified early in the production setup process, creating high switching costs that are bolstered by the company's intellectual property and widely trusted reputation. By virtue of its leading technology and market position in packaging inspection, ONTO is poised to benefit from the growing prevalence of "advanced packaging" techniques used to drive continued performance gains in integrated circuits.

In 2023, the semiconductor industry experienced the effects of a swift reversal and down-cycle in demand after a heady rise and peak in 2021 and 2022. As a result, many manufacturers delayed capacity expansions and, in turn, equipment purchases. ONTO was not spared from this, and company revenue and profit margins suffered. In a testament to ONTO's operating discipline, the company maintained strong levels of absolute profitability despite a significant drop in revenue. Looking forward, the inexorable rise of advanced packaging, coupled with ONTO's advantaged position in the value chain, should translate into the return of orders and growth as manufacturing demands increase. The launch of ChatGPT in late 2022 and accelerating development of artificial intelligence technologies – facilitated by advanced microchips – further underscore the growing importance of ONTO's offerings. Thus, while 2023 was a weaker year for ONTO attributable to a cyclical downturn in the industry, the company stands to rebound as one of the sole providers of crucial inspection equipment for advanced packaging used to make cutting-edge chips. Given that ONTO's share price has more than doubled over the last twelve months, this is not lost on the market. Nevertheless, we believe that the company represents a worthwhile holding, even as we have trimmed our position to provide funding for other attractive opportunities.

After featuring as our best-performing position last quarter, **SoundThinking (SSTI)** was our worst-performing position during the first quarter of 2024, with a share price decline of 37.8%. SSTI is the leading provider of acoustic gunshot detection solutions and offers a portfolio of related software products. By virtue of its vertical market-focused business model, SSTI benefits from strong customer retention, resilient recurring revenue, high sales and marketing efficiency, and an attractive and fundamentally profitable business model.

As recounted last quarter, perception of SSTI in 2023 was clouded by a contentious contract renewal with the City of Chicago and lower profits stemming primarily from growth investments. Meanwhile, the company continued to report a steady cadence of commercial wins across its lines of business while securing renewals of nearly all its other key municipal customers, supporting the notion that Chicago was likely an isolated incident. Unfortunately, even though Chicago was already written off as a customer, SSTI returned to the headlines in February as Mayor Brandon Johnson unilaterally scuttled renewal talks and cancelled Chicago's multi-million-dollar contract. In a strange turn of events, this saga is set to continue as (1) the contract was extended through September 2024 in an eleventh-hour deal between SSTI and the mayor's office to keep service running through the upcoming Democratic National Convention to be held in Chicago in August and (2) a newly proposed ordinance is set to go to a City Council vote to shift decision-making on this matter from the mayor to the alders and wards of Chicago.

More substantive pessimism was sparked by tepid guidance for 2024 given in SSTI's most recent quarterly report. However, this seems to be intentionally conservative and not indicative of a reduction in new commercial activity. Furthermore, the company seems set to expand margins as steady growth drives operating leverage on investments made in 2023. Despite our disappointing ownership experience to date, we continue to view SSTI as a compelling holding given its ability to grow revenue and profits substantially in the years ahead.

Our second-worst performing position, with a share price decline of 18.7% during the quarter, was **Health Catalyst (HCAT)**. HCAT is a leading provider of vertical-specific data and analytics solutions to healthcare organizations (HCOs). HCAT offers a cloud-based platform called Data Operating System (DOS) that integrates and organizes data from hundreds of sources to drive analytics for clinical, financial, and operational use-cases for HCOs. In providing tools that help HCOs unlock revenue, achieve cost efficiencies, and improve clinical outcomes, HCAT becomes embedded into its customers' operations and thereby benefits from substantial switching costs. In offering a differentiated and performant platform, HCAT has assembled a blue-chip customer roster and built a position as a leading, proven provider.

During 2023, HCAT experienced slowing growth as its hospital customers, having already shouldered the burden of pandemic response in recent years, grappled with rising labor costs and financial strain. Pressing and immediate demands such as the recruitment and retainment of staff competed for the funding and attention necessary to purchase expensive software and drive the operational change necessary to properly implement DOS. Even so, HCAT has retained nearly all its DOS customers, and our conversations with customers continue to affirm the value and differentiation of DOS as a data analytics platform with strategic importance nearing that of electronic health records and enterprise resource planning applications. Under challenging circumstances, HCAT has responded by focusing its go-to-market strategy on timely use-cases and building up its managed services offering to help HCOs address financial strains and drive efficiencies. The early results of these efforts have been encouraging.

Notwithstanding these merits and our assessment that demand headwinds will eventually abate, we recently decided to exit our small position in the company. We remain optimistic about HCAT's long-term potential, but we believe that other holdings currently offer a more attractive balance of risk and reward.

Portfolio Activity

We did not establish or exit any positions during the first quarter of 2024, but we remained active in managing position sizes and reallocating capital towards more relatively attractive opportunities within the portfolio. From a portfolio construction perspective, our goal is to cluster our clients' capital in the highest perceived total return opportunities while maintaining diversity among fundamental business drivers. To this end, we trimmed from stronger relative performers such as AGYS, ALRM, CMPR, DESP, and ONTO, allocating the resulting proceeds at more attractive valuations into ATRO, WOW, and ZUO. As mentioned above, we have also begun to exit our small position in HCAT with plans to redeploy the proceeds into these and other opportunities we deem more compelling.

Top 10 Companies As of March 31, 2024	
Alarm.com Holdings Inc	12.0%
XPEL Inc	11.1%
Despegar.com Corp	5.7%
Cimpress PLC	5.4%
Triumph Financial Inc	5.5%
Franklin Covey Co	5.0%
Element Solutions Inc	4.7%
Astronics Corp	4.7%
Model N Inc	4.5%
Zuora Inc	4.4%
Total	**63.2%**

Reported as a percentage of total portfolio.
Holdings are subject to change.
Totals may not sum due to rounding.

Closing Comments

By owning attractively priced companies with advantaged business models, durable competitive positions, compelling reinvestment prospects, and capable and aligned management teams, we believe we greatly increase our odds of producing attractive long-term returns. We tirelessly pursue deep, independent research in an effort to gain differentiated insights on the qualitative drivers of business value. These insights inform our excitement about our portfolio's prospects and our rich pipeline of small-cap investment ideas. It is a privilege to conduct this work on behalf of our valued clients, and we thank them for their continued patience, trust, and confidence in our team.

The Russell 2000 index is an unmanaged market capitalization weighted index of 2000 small company stocks of U.S. domiciled companies. The composition of the Russell 2000 Index is materially different than the Fund's holdings. The Index is not available for direct investment.

The Fund seeks to generate attractive returns over time but does not attempt to mirror a benchmark or index.

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 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.

RISKS

Investors in the Fund should be able to withstand short-term fluctuations in the equity markets in return for potentially higher returns over the long term. The value of portfolios changes every day and can be affected by changes in interest rates, general market conditions and other political, social and economic developments.

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.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.

Investing in small sized companies typically exhibit greater risk and higher volatility than larger, more established companies.

Asset allocation decisions, particularly large redemptions, made by an investor or an investment adviser whose discretionary clients make up a large percentage of the Fund's shareholders, may adversely impact remaining Fund shareholders.

For more complete information, visit www.bbhfunds.com for a prospectus. You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.

Shares of the Fund are distributed by ALPS Distributors, Inc. and is located at 1290 Broadway, Suite 1000, Denver, CO 80203.

Bares Capital Management, Inc. acts as the sub-adviser to the Fund.

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