

BBH Select Series - Large Cap Fund

Quarterly Fund Update / 2Q 2024

2Q Highlights

- During the 2nd quarter of 2024, most holdings in the BBH Select Series – Large Cap Fund (“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 cautiously near-term and highly confident medium to longer term.
- The Fund gained 3.45% in the 2nd quarter of 2024, with an absolute contribution of 387 basis points¹ 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)² 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 points 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.

¹ 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.

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.

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Performance As of June 30, 2024							
	Total Returns		Average Annual Total Returns				
	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	3.45%	12.47%	21.18%	8.05%	N/A	N/A	10.93%
Benchmark	4.28%	15.29%	24.56%	10.01%	N/A	N/A	15.30%

Class I Inception: 09/09/2019
 Class I: Net/Gross Expense Ratio (%) 0.72 / 0.72
 Returns of less than one year are not annualized.

The Investment Adviser has contractually agreed to limit the Total Annual Fund Operating Expenses for Retail Class shares to 0.80% until March 1, 2025. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund’s Board of Trustees (the “Board”). Funds redeemed within 30 days of purchase are subject to a redemption fee of 2%.

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 performance current to the most recent month-end please call 1-800-625-5759.

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

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					Net Earnings per Share Calendar Year Ending 2023				
	1 Year/Year	3 Year CAGR	4 Year CAGR	5 Year CAGR		1 Year/Year	3 Year CAGR	4 Year CAGR	5 Year CAGR
Strategy	21.8%	10.0%	12.6%	9.9%	Strategy	15.7%	15.7%	14.9%	10.6%
Index	-3.1%	5.2%	5.7%	5.1%	Index	-1.4%	16.7%	8.0%	6.7%

Past performance does not guarantee future results.

The Fund gained 3.45% 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 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.

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.

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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.

Holdings As of June 30, 2024	
Alphabet Inc	7.6%
Berkshire Hathaway Inc	6.2%
Microsoft Corp	6.2%
KLA Corp	6.0%
Linde PLC	5.2%
Mastercard Inc	5.0%
Oracle Corp	4.9%
Progressive Corp	4.7%
Waste Management Inc	4.3%
Costco Wholesale Corp	4.2%
Arthur J Gallagher & Co	4.0%
Alcon Inc	3.8%
Amazon.com Inc	3.7%
Booking Holdings Inc	3.7%
Thermo Fisher Scientific Inc	3.2%
Zoetis Inc	3.1%
Adobe Inc	3.1%
S&P Global Inc	2.8%
Texas Instruments Inc	2.6%
Abbott Laboratories	2.6%
UnitedHealth Group Inc	1.9%
NIKE Inc	1.7%
Automatic Data Processing Inc	1.4%
Diageo PLC	1.3%
Nestle SA	1.2%
Otis Worldwide Corp	1.1%
Cash & Cash Equivalents	4.4%

Holdings are subject to change.

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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 remained 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.

Share Class Overview
As of June 30, 2024

	Ticker	Inception Date	Total Net Assets (mil)	NAV
Class I	BBLIX	09/09/2019	\$462.2	\$15.60

Equity Weighting
As of June 30, 2024

Common Stock	95.6%
Cash and Cash Equivalents	4.4%
Total	100.0%

Fund Facts
As of June 30, 2024

Number of Securities Held	26
Average P/E	28.5
Average Market Cap (bil)	\$541.2
Turnover (Rolling 12-Months)	7.22%

Excludes cash equivalents.

Sector Weighting
As of June 30, 2024

Communication Services	7.9%
Consumer Discretionary	9.6%
Consumer Staples	7.0%
Energy	0.0%
Financials	23.8%
Health Care	15.3%
Industrials	7.1%
Information Technology	23.9%
Materials	5.4%
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 June 30, 2024

Alphabet Inc	7.6%
Berkshire Hathaway Inc	6.2%
Microsoft Corp	6.2%
KLA Corp	6.0%
Linde PLC	5.2%
Mastercard Inc	5.0%
Oracle Corp	4.9%
Progressive Corp	4.7%
Waste Management Inc	4.3%
Costco Wholesale Corp	4.2%
Total	54.3%

Reported as a percentage of total portfolio.

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.

Turnover ratio is the rate of trading in a portfolio; higher values imply more frequent trading.

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.

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.

RISKS

Investors in the Fund should be able to withstand short-term fluctuations in the equity markets and fixed income 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.

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

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.

Brown Brothers Harriman & Co. ("BBH"), a New York limited partnership, was founded in 1818 and provides investment advice to registered mutual funds through a separately identifiable department (the "SID"). The SID is registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940.

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No Bank Guarantee

May Lose Money

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