

# BBH Luxembourg Funds - BBH Core Select

Quarterly Fund Update / 2Q 2023

For Retail Use

## 2Q Highlights

- The S&P 500 added a third consecutive strong quarter ending the second quarter 21% above the October '22 lows.
- The BBH Luxembourg Funds - Core Select Class X ("Core Select," or "the Fund") gained 8.33% for the second quarter, compared to 8.74% for the benchmark S&P 500.
- It was a historically narrow market with approximately three quarters of the benchmark's returns being generated by just seven securities.

## Market Overview

The S&P 500 added a third consecutive strong quarter ending the period 21% above the October '22 lows, just 7% shy of the January '22 high. Primary drivers included a slow but steady path of moderating inflation, a pause in rate hikes by the Federal Reserve, troughing earnings revisions, and investor enthusiasm about Artificial Intelligence (AI). It was a historically narrow market with approximately three quarters of the benchmark's returns being generated by just seven securities, newly dubbed "the magnificent seven." On a year-to-date basis, the equal-weighted S&P 500 returned just one-third of the benchmark's returns. While returns were broadly positive, diversification was a clear headwind for investors playing the relative performance game.

## Portfolio Commentary

The BBH Luxembourg Funds - Core Select Class X ("Core Select," or "the Fund") gained 8.33% for the second quarter, compared to 8.74% for the benchmark S&P 500. At the sector level, portfolio gains were led by strong performance in Information Technology, Financials, and Industrials. Consumer Staples was the sole sector that posted a modest decline. Security selection for the Fund was positive, led by Industrials and Financials. Allocation was negative, primarily due to the Fund being underweight in Information Technology. Top contributors for the quarter included Oracle (ORCL), Alphabet (GOOG), and Microsoft (MSFT). Top detractors included Dollar General (DG), Thermo Fisher Scientific (TMO), and NIKE (NKE). At quarter end, the Fund held 28 positions, 48% in the top 10, 4% in cash, and traded at 90% of our estimate of intrinsic value<sup>1</sup>. There were no new purchases or complete sales during the quarter.

With market performance in the second quarter heavily influenced by large cap technology, it is no surprise the top performers for the Fund were Oracle, Adobe, Amazon, and KLA. Interest in companies positioned to offer products that integrate AI or enable the creation of these products drove

## Holdings As of 30 June 2023

Berkshire Hathaway Inc (Class A)	6.3%
Alphabet Inc (Class C)	5.6%
Microsoft Corp	5.3%
Linde PLC	5.1%
Mastercard Inc	5.0%
Alcon Inc	4.3%
Arthur J Gallagher & Co	4.2%
Oracle Corp	4.1%
KLA Corp	4.0%
Waste Management Inc	3.9%
Zoetis Inc	3.6%
Costco Wholesale Corp	3.4%
Thermo Fisher Scientific Inc	3.4%
Progressive Corp	3.3%
Abbott Laboratories	3.1%
Copart Inc	3.0%
Booking Holdings Inc	2.8%
Graco Inc	2.7%
Amazon.com Inc	2.7%
Nike Inc (Class B)	2.7%
S&P Global Inc	2.6%
A. O. Smith Corp	2.6%
Texas Instruments Inc	2.5%
Adobe Inc	2.4%
Celanese Corp	2.1%
Diageo PLC	1.8%
Dollar General Corp	1.8%
Nestle SA	1.6%
Cash & Cash Equivalents	4.1%
Liabilities in Excess of Other Assets	-0.1%

Holdings are subject to change.

<sup>1</sup> BBH's estimate of the present value of the cash that a business can generate over its remaining life.

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

a significant portion of the best performing companies in the S&P 500. Our top performers are each critically important enablers or integrators of AI technology.

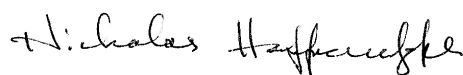
Oracle's recent financial performance demonstrated the strong position the Oracle Cloud Infrastructure (OCI) platform is in to be a top vendor for building AI tools in software applications. OCI's pricing is favorable for the types of high volume, compute-intensive workloads necessary for both training and running AI models. Consequentially, OCI's growth relative to the broader cloud infrastructure market suggests it is gaining market share. Oracle's management specifically cited Generative AI workloads as a significant contributor to OCI's impressive 77% year-over-year growth reported in the most recent quarter. Beyond OCI, Oracle has long integrated AI capabilities into both its Fusion suite of back-office application software and the Oracle Autonomous Database which leverages AI technology to increase database availability and reduce human intervention in database maintenance.

At the other end of the spectrum, Dollar General was the largest detractor for the quarter with its shares declining -19%. The company reported a challenging start to its fiscal year with lower-than-expected results and a weaker outlook for its core consumer base, prompting a reduction in full year guidance and a pause in share buybacks. As observed across pockets of retail more broadly, the tailwinds for consumers have been subsiding in recent months with elevated inflation, the reduction of supplemental benefits, higher borrowing costs, and tighter lending standards impacting lower income consumers disproportionately. After multiple years of strong growth augmented by pandemic benefit tailwinds, we anticipated some trend reversal for Dollar General. The current fiscal year is shaping up to be a catch-up investment year for the company at a time when the health of its core consumer is softening. While the near-term impact for the company is disappointing, we believe management's focus to further sharpen the unique combination of value and convenience offered to its core customers in a challenging economic environment remains a compelling strategy to drive long-term growth.

### Outlook

The second quarter served as a reminder that market timing is futile. While earnings expectations moderated during the first quarter, they stabilized and improved over the course of the second quarter following a better-than-feared reporting season. Investors remain remarkably optimistic, despite risks associated with tighter credit, elevated geopolitical tensions, and the prospect of a global economic slowdown or recession. Looking at the balance of the year, corporate profits will have to do their part to sustain current market levels with gains largely resulting from multiple expansion. As we enter the second quarter earnings season, we are encouraged by our portfolio companies' strong balance sheets and ability to compound earnings and cash flow at attractive rates. While market leadership has been unusually narrow, we continue to find value in our holdings and select areas of the broader market.

Respectfully,



Nicholas Haffenreffer  
Fund Manager



Performance										
Past performance does not predict future results										
Annual Returns										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Class X	-21.76%	25.54%	11.56%	28.09%	-8.25%	18.11%	7.06%	-3.77%	6.91%	25.17%
S&P 500	-18.11%	28.71%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%
As of 30/06/2023	Average Annual Returns									
	1 Yr.	2 Yr.	3 Yr.	4 Yr.	5 Yr.	10 Yr.	Since Inception			
Class X	14.98%	0.52%	10.62%	7.66%	8.64%	7.80%	9.03%			
S&P 500	19.59%	3.39%	14.60%	12.78%	12.31%	12.86%	13.70%			
Class X Inception: 10/07/2012										
Class X Ongoing Charges: 1.70%										
The past performance excludes the entry and exit charges. The ongoing charges figure is based on actual expenses for the year ending December 2022. 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 2023					
ISIN		Inception Date	Total Net Assets (mil)	NAV	
Class X		LU0643341406	10/07/2012	\$3.4	\$25.88

Equity Weighting As of 30 June 2023	
Common Stock	95.9%
Cash and Cash Equivalents	4.1%
Liabilities in Excess of Other Assets	-0.1%
Total	100.0%

Sector Weighting As of 30 June 2023	
Communication Services	5.8%
Consumer Discretionary	8.6%
Consumer Staples	9.0%
Energy	0.0%
Financials	22.3%
Health Care	15.0%
Industrials	12.8%
Information Technology	19.0%
Materials	7.5%
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 2023	
Berkshire Hathaway Inc	6.2%
Alphabet Inc	5.6%
Microsoft Corp	5.2%
Linde PLC	5.1%
Mastercard Inc	5.0%
Alcon Inc	4.3%
Arthur J Gallagher & Co	4.2%
Oracle Corp	4.1%
KLA Corp	4.0%
Waste Management Inc	3.9%
Total	47.6%
Reported as a percentage of total portfolio.	

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.

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.

## 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.**

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.

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"). Investment in this Fund entails risks which are described in more detail in the Prospectus and the KIIDs. Investors should obtain and read a copy of the Prospectus and the KIIDs before investing. Exit Charges are payable to the Fund and not BBH. For a copy of the Prospectus and the KIIDs, in English, French, or German, please contact the Company's representative or its local distributor, or access the following site: [www.bbhluxembourgfund.com](http://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).**

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