Brown Brothers Harriman

BBH Luxembourg Funds - BBH Core Select

Quarterly Fund Update / 1Q 2023

For Professional / Non-Retail Use Only in the UK, Germany and Luxembourg

1Q Highlights

- The Fund posted solid gains for the period led by strong absolute contributions from Information Technology, Industrial, and Consumer Discretionary sectors, as well as strong relative performance from Health Care.
- Following an extraordinary course of events, Signature Bank ("SBNY" or "Signature") was seized by the New York Department of Financial Services and the Federal Deposit Insurance Corporation (FDIC) on March 12th.
- The current environment illustrates the challenge central banks face between maintaining financial stability and containing inflation.

Market Overview

Despite the emergence of a regional bank crisis in early March, the S&P 500 added a second consecutive strong quarter following the October 2022 lows. Moderating inflation, a resilient consumer, declining interest rates, a stable Dollar, and the reversal of China's Zero-COVID policy provided a constructive backdrop, albeit with some volatility, and a leadership rotation which resulted in a wide dispersion of returns across sectors and asset classes. It is clear financial markets are anticipating the end of the Federal Reserve's tightening cycle, which has historically been positive for equity investors.

Portfolio Commentary

The BBH Luxembourg Funds - Core Select Class I ("Core Select," or "the Fund") gained 5.40% for the first quarter, compared to 7.50% for the benchmark S&P 500. Underperformance for the period was largely attributed to our investment in Signature Bank, which was seized by regulators in early March. Despite the SBNY loss, the Fund posted solid gains for the period led by strong absolute contributions from the Fund's Information Technology, Industrial, and Consumer Discretionary sectors, as well as strong relative performance from its Health Care holdings. Top contributors for the period included Alphabet (GOOG), Booking Holdings (BKNG), and Microsoft (MSFT). Primary detractors were Signature, Dollar General (DG) and Abbott Laboratories (ABT). At quarter end, the Fund held 28 positions, 47% in the top 10, 4% in cash, and traded at 82% of our estimate of intrinsic value.[1]

Holdings As of 31 March 2023	
Berkshire Hathaway Inc (Class A)	6.1%
Mastercard Inc	5.4%
Alphabet Inc (Class C)	5.4%
Linde PLC	5.1%
Microsoft Corp	4.7%
Arthur J Gallagher & Co	4.3%
Waste Management Inc	4.0%
Alcon Inc	3.9%
Progressive Corp	3.9%
Zoetis Inc	3.7%
Thermo Fisher Scientific Inc	3.5%
Booking Holdings Inc	3.5%
Oracle Corp	3.4%
Costco Wholesale Corp	3.4%
Nike Inc (Class B)	3.2%
KLA Corp	3.0%
Copart Inc	3.0%
Celanese Corp	2.8%
Texas Instruments Inc	2.8%
Graco Inc	2.7%
A. O. Smith Corp	2.6%
Adobe Inc	2.5%
S&P Global Inc	2.4%
Dollar General Corp	2.4%
Abbott Laboratories	2.3%
Amazon.com Inc	2.3%
Diageo PLC	2.1%
Nestle SA	1.7%
Cash & Cash Equivalents	3.6%
Liabilities in Excess of Other Assets	0.4%

Holdings are subject to change.

Following an extraordinary course of events, Signature Bank was seized by the New York Department of Financial Services and the Federal Deposit Insurance Corporation (FDIC) on March 12th. The proximate cause of this action was the failure of Silicon Valley Bank on March 10th and the initial decision of regulators not to stand behind SVB's uninsured depositors, which caused a run on several banks, including Signature. Signature funded its balance sheet primarily from corporate deposits, so nearly all its deposits were above the FDIC insured limit, as they had been since the bank's founding. In prior periods of acute stress, including the Global Financial Crisis (GFC) and COVID-19 pandemic, Signature had continued to attract net deposit inflows, but that was not the case in this instance. With stable deposits up to Thursday March 9th, withdrawal requests were substantial on

[1] BBH's estimate of the present value of the cash that a business can generate over its remaining life.

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March 10th. While we believe the company had sufficient liquidity and borrowing capacity to meet these demands, the regulators elected to seize the bank on Sunday, March 12th.

Our decision to invest in Signature was motivated by the bank's exceptional performance over its 20-year history and the substantial value we believed its shares represented. Signature consistently and responsibly grew the key components of value – deposits, earning assets, tangible book value, and earnings – well above industry averages. Credit quality at the bank was consistently superior, even under the most severe conditions. For example, Signature was profitable during every quarter of the GFC and its net charge-offs were a fraction of its peers. Seeing the company perform during challenging periods and how the company was positioned for the current environment, we believed the bank had the capital base, asset quality, liquidity, and borrowing capacity to not only endure, but to thrive. Our long history of following the bank and having regular communications with management reinforced this belief. The company's deposit-only services for participants in the crypto-currency ecosystem was never well understood by the market and caused shares to come under significant pressure beginning in January 2022; our initial investment in SBNY was in March 2022. Given the company had no credit exposure to crypto and did not hold, trade, custody, or lend against crypto, we believed the market's misperception created an opportunity to own what was, by all measures, a leading bank franchise at an exceptionally compelling valuation.

There is an innate vulnerability among banks to a sudden loss of depositor confidence. We were aware of this risk but given that bank runs are almost always precipitated by a credit crisis, which doesn't exist today, and the strength of the company's balance sheet, we judged that risk to be low. However, the nature of banking has changed markedly in the last 10 years and the widespread adoption of digital banking has made deposits dramatically easier to move, especially when combined with social media's ability to induce fear and panic – necessary conditions for a bank run – more easily and rapidly transmissible. Both forces worked against Signature in rapid succession and caused an otherwise strong institution with an excellent record and reputation to fail. It was clearly a very disappointing outcome for our investors and our team who hold capital preservation as a primary objective.

At the other end of the spectrum, Booking Holdings was the Fund's top performer for the period. Strong fundamental results from this collection of leading online travel agencies were driven by resilient demand and improving market sentiment regarding travel. During its fourth quarter call hosted in late February, management shared a compelling outlook with key operating metrics returning to, and in some cases, exceeding pre-pandemic levels. Comments on the call pointed to a stronger than anticipated revenue outlook for 2023, better visibility, and a mix shift toward higher margin business segments which will further support expected earnings growth and profitability. Beyond recent results, we continue to view Booking not only as a beneficiary of the consumer's growing preference for experiences, but as a long-term beneficiary of the shift from offline to online booking modalities and a share gainer in the industry.

Outlook

The current environment illustrates the challenge central banks face between maintaining financial stability and containing inflation. As economic activity slows and earnings expectations moderate, investors have thus far elected to look through the prospect of an earnings recession, the probability of which has increased with the recent banking sector turmoil and the inevitable tightening of credit. While we are encouraged to see equities recover, we recognize it has been a challenging environment characterized by heightened uncertainty and periods of volatility. As ever, our focus remains on businesses characterized by durable cash flows and earnings growth, healthy balance sheets, and attractive valuations. From this perspective, we continue to own and find value in businesses we believe will continue to compound at attractive rates over time.

Respectfully,

Nicholas Haffenreffer

Nicholas Haffenreffer
Fund Manager

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Performance
Past performance does not predict future results

Annual Returns

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Class I	-21.33%	26.19%	12.17%	28.81%	-7.75%	18.76%	7.65%	-3.24%	7.51%	25.84%
Class R[i]	-21.33%	26.24%	12.18%	28.80%	-7.75%	18.73%	7.65%	-3.24%	7.51%	25.84%
Class RN[i]*	N/A	26.23%	12.18%	28.79%	-7.77%	18.74%	7.66%	-3.23%	N/A	N/A
Class X	-21.76%	25.54%	11.56%	28.09%	-8.25%	18.11%	7.06%	-3.77%	6.91%	25.17%
Class R[i](GBP)	-12.18%	27.91%	8.66%	23.93%	-2.28%	8.31%	28.69%	2.31%	14.42%	N/A
Class RN[i](GBP)**	N/A	27.90%	8.66%	23.95%	-2.28%	8.35%	28.76%	2.31%	N/A	N/A
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 31/03/2023 — **Average Annual Total Returns**

	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	5.40%	5.40%	-9.85%	13.58%	7.69%	7.76%	10.68%
Class R[i]	5.40%	5.40%	-9.85%	13.60%	7.70%	7.76%	9.23%
Class X	5.26%	5.26%	-10.35%	12.97%	7.10%	7.17%	8.44%
Class R[i](GBP)	3.29%	3.29%	-4.01%	13.86%	10.50%	10.03%	9.95%
S&P 500	7.50%	7.50%	-7.73%	18.60%	11.19%	12.24%	13.72%

Class I Inception: 28/01/2009
Class R[i] Inception: 21/10/2011
Class RN[i] Inception: 02/05/2014
Class X Inception: 10/07/2012
Class R[i](GBP) Inception: 28/03/2013
Class RN[i](GBP) Inception: 02/05/2014

Class I, Class R[i], Class RN[i], Class R[i](GBP), Ongoing Charges: 1.15%
Class X Ongoing Charges: 1.70%

Returns of less than one year are not annualized. * Class RN[i] redeemed 20 April 2022. ** Class RN[i](GBP) redeemed 16 November 2022.

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.

Classes RA, I, R[i], X, and R[i](GBP) 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 31 March 2023

	ISIN	Inception Date	Total Net Assets (mil)	NAV	Upside/Downside Capture[1]
Class I	LU0407242659	28/01/2009	$253.6	$42.47	85.6% / 98.1%
Class R[i]	LU0527403801	21/10/2011	$19.3	$27.59	85.6% / 98.1%
Class X	LU0643341406	10/07/2012	$3.6	$23.89	
Class R[i](GBP)	LU0861823945	28/03/2013	£0.3	£26.02	

[1] Upside / Downside Capture Ratio is an annualized 5-year rate, net of fees. Both compare an investment's performance against its benchmark during periods when the benchmark's performance is positive or negative.

Equity Weighting
As of 31 March 2023

Common Stock	95.9%
Cash and Cash Equivalents	3.6%
Liabilities in Excess of Other Assets	0.4%
Total	**100.0%**

Fund Facts
As of 31 March 2023

Total Net Assets (mil)	$276.9
Number of Securities Held	28
Average P/E	25.0
Average Market Cap (bil)	$287.7

Excludes cash equivalents

Sector Weighting
As of 31 March 2023

Communication Services	5.6%
Consumer Discretionary	9.3%
Consumer Staples	10.0%
Energy	0.0%
Financials	23.0%
Health Care	14.1%
Industrials	12.7%
Information Technology	17.1%
Materials	8.2%
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 31 March 2023

Berkshire Hathaway Inc	6.1%
Mastercard Inc	5.4%
Alphabet Inc	5.4%
Linde PLC	5.1%
Microsoft Corp	4.7%
Arthur J Gallagher & Co	4.3%
Waste Management Inc	4.0%
Alcon Inc	3.9%
Progressive Corp	3.9%
Zoetis Inc	3.7%
Total	**46.5%**

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.

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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.

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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.bbhluxembourgfunds.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.

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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).

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