

CAPITAL PARTNERS

BBH Luxembourg Funds - BBH Core Select Quarterly Update | 1Q 2026

Highlights

- During first quarter 2026, most portfolio companies in the BBH Luxembourg Funds – Core Select (the Fund) reported fourth quarter 2025 results and provided near- and longer-term guidance.
 - As we stated in our last update, the financial results of our portfolio companies were strong. The recipe for economic value creation – returns on invested capital and free cash flow per share growth – remain very attractive and on both an absolute basis and relative to the benchmark S&P 500 Index (the Index).
 - We would characterize forward guidance by the portfolio companies in the Fund as cautious near term and highly confident medium to longer term.
- While we remain pleased with the year-to-date fundamental performance of the Fund, we were disappointed with the absolute stock price-driven total returns. On a total return basis, the Fund (Class I) decreased -7.04% for the quarter and year. The Index decreased -4.33%.
- While artificial intelligence (AI)-related disintermediation risks are real, the resulting negative stock price reaction to them is sometimes largely sentiment driven; the materiality of the declines is in part due to a changing market structure where nonfundamental investors are today's price setters, controlling 65% to 75% of normal daily trading volume.
- Strong fundamental performance continues a historical trend we have witnessed for some time, and economic value creation remains very favorable for the Fund on an absolute basis and relative to the Index, as does relative valuation, against a backdrop of very full absolute valuation level.
- During the period of recent market volatility and uncertainty, we have been acting with an aim to improve an already high-quality portfolio to one possessing higher expected levels of economic profit growth and better valuation support.

Market overview

We entered calendar year 2026 with some degree of caution. The Index had just come off its third consecutive year of double-digit returns, while earnings and free cash flow per share growth were essentially flat over the multiyear period. Valuations were full and expectations for earnings growth were high, both on an absolute basis

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

and relative to near- and longer-term history, while internal market structure was undergoing a period of dramatic change.

The bifurcation between momentum and fundamental metrics has never been more extreme. In today's market environment, price momentum and positive revisions to sell-side analyst estimates are being rewarded, often without regard to valuation or the absolute fundamental performance of a company in respect of the drivers of true economic value creation. Performance measurement and its interpretation should be carefully contemplated given the rapidly changing market structure, and our general goal of transparency and its benefits are only heightened given the significant trade activity experienced of late and that is likely to continue in the near term as we reposition portfolios to achieve our multifaceted investment goals in the context of intense and evolving risks.

First quarter 2026 experienced a decline of 4%, with escalating geopolitical risk triggering an oil supply shock, fueling near-term inflation concerns. Energy (+38.3%) and Materials (+9.7%) were the best performing sectors, contributing ~122 basis points (bps)¹ to the market's total return. In contrast, Financials (-9.4%) and Consumer Discretionary (-9.2%) were the worst performers for the quarter. Energy was the only sector in the index to generate double-digit returns, driven by significant tailwinds from the war in Iran.

Portfolio commentary

The financial results of our portfolio companies were strong, with our recipe for economic value creation – reported returns on invested capital plus implied free cash flow per share growth – attractive on both an absolute and relative basis. Compared to the extreme uncertainty that accompanies the price other market participants are willing to pay for our portfolio companies and those we choose not to own, we feel more in control of the fundamental performance and superior valuation of our portfolio companies. Net earnings and free cash flow per share grew 12% and 11%, respectively, for the Fund over the three-year trailing period vs. 7% and -2%, respectively, for the Index over the same time period.

EXHIBIT I

	3 years		5 years	
	Fund	S&P 500	Fund	S&P 500
Growth				
EPS (CAGR)	11.8%	6.5%	15.9%	7.8%
Free cash flow (CAGR)	11.5%	-2.1%	12.9%	4.4%
Quality				
Return on invested capital (avg)	23.4%	10.3%	22.2%	9.6%
Net debt/EBITDA (avg)	1.04x	1.38x	0.98x	1.36x

To that end, our portfolio companies have executed well and have produced solid growth and fundamental economic performance while maintaining appropriately conservative capital structures. These achievements are evident at the aggregate portfolio level, where we have observed attractive growth in revenue, cash flow, and earnings; superior profit margins; returns on capital; and healthy balance sheets. While the Fund is more fully valued than we have historically observed given the strong equity markets we experienced over the past several years, the valuation remains supportive on an absolute basis and is attractive relative to the Index. Compared to the extreme uncertainty that accompanies the price other market participants are willing to pay and those names we choose not to own, we feel more in control of the fundamentals and valuation of our portfolio companies.

¹ One basis point is equal to 1/100th of 1%, or 0.01%.

For the quarter, the Fund's two largest **detractors** to total return were Microsoft (MSFT) and Oracle (ORCL) respectively.

Microsoft (share price -23%) was the largest performance detractor, reducing the Fund's total return by ~174 bps during the quarter. The share price decline reflected growing market skepticism around the returns on AI-related capital spending and the capital intensity required to support AI infrastructure delivery, alongside a market rotation favoring semiconductor companies over software and cloud infrastructure providers. Investor disappointment was compounded by management's decision to prioritize internal workloads over external customer demand, which weighed on Azure growth. Management has emphasized that allocating scarce capacity toward internal workloads is intended to maximize long-term value by leveraging Microsoft's distribution advantages and capturing value higher in the software stack, an approach we believe supports durable strategic positioning despite near-term share price pressure.

Oracle (share price -24%) detracted ~80 bps from the Fund's total return during the quarter as the company was exposed to the same skepticisms (i.e., AI infrastructure investment, market rotation away from software) as Microsoft. Investor attention also centered on Oracle's financing mix for its AI data center expansion, which requires incremental debt and equity issuance and introduces additional financial leverage; however, we view this risk as mitigated by strong contractual commitments from customers that have subscribed to capacity coming online over the next several years. We were encouraged by management's intention to include equity financing, which should reduce overall leverage and improve the company's risk profile as investments scale. Oracle's growing Remaining Performance Obligations provide attractive visibility into future revenue.

For the quarter, the Fund's two largest **contributors** to total return were KLA Corp (KLAC) and Applied Materials (AMAT) respectively.

KLA (share price +21%) was the largest contributor during the quarter, adding ~104 bps to the Fund's total return. KLA provides process-control, inspection, and metrology solutions that are critical to semiconductor manufacturing, particularly as chip complexity increases in advanced logic and high-performance computing. Share price performance reflected confidence that KLA's leading market share in defect inspection and metrology positions it to benefit from next generation nodes, including 2- and 1-nanometer technologies at leading foundries, as well as long-term growth in advanced packaging and power semiconductors. During the period, KLA also exceeded earnings and revenue expectations and reinforced its shareholder return profile through a \$7 billion share repurchase authorization and a 21% increase in its quarterly dividend.

Applied Materials (share price +33%) contributed ~98 bps to the Fund's total return. Applied Materials develops, manufactures, and services semiconductor wafer fabrication equipment and spare parts for the global semiconductor industry. Share price performance during the period reflected increasing market recognition that demand for AI continues to exceed supply, with silicon availability emerging as a critical bottleneck. With market share in the high teens, Applied Materials is a direct beneficiary of incremental capital spending required to support higher production volumes at leading semiconductor manufacturers.

Over any period, 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. This will remain our focus as we seek to deliver both strong absolute and relative returns over the long term.

While this work will continue and is a constant focus of our analytical and portfolio management activities, we expect it to slow in the near term given the sharp recovery in market prices and still-elevated levels of policy-induced

risk. While we remain focused on finding new investments that meet our investment criteria and are attractively valued, we do so in the context of a market environment we view as challenged, with risks evident on many fronts.

Portfolio activity

Negative stock price reactions have been driven by concerns about AI code generation tools lowering barriers to entry in software and agentic AI displacing labor and thus reducing the need for licensed application software seats. As we evaluated relative disruption risk within the software ecosystem, we took portfolio action intended to reduce AI-centric product and business model disruption and disintermediation risk. Our trading activity during the quarter balanced these risks with the significant fundamental and valuation support these stocks offer.

To that end, we were able to initiate positions in a number of high-quality companies: **J.P. Morgan, Rockwell Automation, Johnson & Johnson, Intuitive Surgical, Palo Alto Networks, Hilton Worldwide, Broadcom, Black Rock, Home Depot, Parker Hannifin, and Graco.**

During the quarter, we also executed several portfolio rebalancing trades reflective of relative valuation opportunities, risk, and fit with our investment criteria. Turnover during the quarter was 19.8%. While high relative to recent periods, this represents a period of market volatility and uncertainty, and where we have been acting with an aim to improving an already high-quality portfolio to one possessing higher expected levels of economic profit growth and better valuation support.

Outlook

At the end of first quarter 2026, we held positions in 40 companies, with the 10 largest holdings accounting for 46% of total assets. We ended the quarter with a cash position of 5.86%.

HOLDINGS (AS OF 31 MARCH 2026)

Holding	Sector	Weight (%)
Alphabet Inc	Communication services	6.83
Microsoft Corp	Information technology	6.26
KLA Corp	Information technology	5.94
Amazon.com Inc	Consumer discretionary	4.86
Apple Inc	Information technology	4.71
Mastercard Inc	Financials	4.10
Linde PLC	Materials	3.86
Applied Materials Inc	Information technology	3.74
Waste Management Inc	Industrials	3.12
Walmart Inc	Consumer staples	2.77
Analog Devices Inc	Information technology	2.70
Costco Wholesale Corp	Consumer staples	2.40
Oracle Corp	Information technology	2.30
Progressive Corp	Financials	2.27
Eli Lilly & Co	Health care	2.26
Berkshire Hathaway Inc	Financials	2.24
Thermo Fisher Scientific Inc	Health care	2.22
Cadence Design Systems Inc	Information technology	2.17
NIKE Inc	Consumer discretionary	2.13
Otis Worldwide Corp	Industrials	2.10
Rockwell Automation Inc	Industrials	2.04
S&P Global Inc	Financials	1.94
NVIDIA Corp	Information technology	1.87
Zoetis Inc	Health care	1.84
Alcon AG	Health care	1.68
JPMorgan Chase & Co	Financials	1.50
McDonald's Corp	Consumer discretionary	1.48
Arthur J Gallagher & Co	Financials	1.39
Broadcom Inc	Information technology	1.39
Procter & Gamble Co	Consumer staples	1.34
Palo Alto Networks Inc	Information technology	1.31
Abbott Laboratories	Health care	1.08
Coca-Cola Co	Consumer staples	1.06
Booking Holdings Inc	Consumer discretionary	0.93
Hilton Worldwide Holdings Inc	Consumer discretionary	0.90
Johnson & Johnson	Health care	0.87
Intuitive Surgical Inc	Health care	0.73
Ecolab Inc	Materials	0.72
ServiceNow Inc	Information technology	0.63
Blackrock Inc	Financials	0.47
Cash & cash equivalents		5.86

Holdings are subject to change.

In our view, momentum and high beta continue to drive market performance at the expense of growth, quality, and positive fundamental factors. After making opportunistic adjustments, we remain focused on finding new investments and rebalancing existing portfolio companies in the context of a market environment we view as challenged.

With a backdrop of decelerating economic growth, extreme policy uncertainty and geopolitical risk, and still-high market expectations relative to history, we remain focused and committed to investing in companies that meet our qualitative criteria, have the fundamental financial characteristics in place that allow for durability in times of economic and market stress, and offer valuation support.

To conclude, our portfolio companies have executed well and produced solid growth and fundamental economic performance while maintaining appropriately conservative capital structures. Given the near- and longer-term outlooks provided by the companies in the Fund, we are optimistic that these strong trends will continue and that the differentiated financial attributes will be better recognized by other investors in the future, improving the stock price performance of the Fund relative to the Index over time.

Thank you for your interest in the BBH Luxembourg Funds – Core Select. Please reach out if you have any questions.

BBH Large Cap Equity team

Hayley Xuereb, Chris Stonerook, Anurag Dhanwantri, Eric Yeh, Mark Weber, Rohit Mitter, Antonio Verrico, and Scott Hill

PERFORMANCE | Past performance does not predict future results

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Class I	13.39%	14.83%	22.71%	-21.33%	26.19%	12.17%	28.81%	-7.75%	18.76%	7.65%
Class R[i]	13.39%	14.83%	22.71%	-21.33%	26.24%	12.18%	28.80%	-7.75%	18.73%	7.65%
Class X	12.76%	14.19%	22.04%	-21.76%	25.54%	11.56%	28.09%	-8.25%	18.11%	7.06%
S&P 500	17.88%	25.02%	26.29%	-18.11%	28.71%	18.40%	31.49%	-4.38%	21.83%	11.96%

As of 31/03/2026	Total returns		Average annual total returns				
	3 mo.	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since inception
Class I	-7.04%	-7.04%	6.09%	12.11%	7.55%	9.43%	10.93%
Class R[i]	-7.04%	-7.04%	6.09%	12.11%	7.56%	9.43%	9.82%
Class X	-7.16%	-7.16%	5.50%	11.50%	6.97%	8.83%	9.10%
S&P 500	-4.33%	-4.33%	17.80%	18.32%	12.06%	14.16%	14.50%

Class I Inception: 28/01/2009

Class R[i] Inception: 21/10/2011

Class X Inception: 10/07/2012

Class I and Class R[i] annual ongoing charges: 1.15%

Class X annual ongoing charges: 1.70%

Returns of less than one year are not annualized.

The past performance excludes the entry and exit charges. This figure may vary from year to year. While the Prospectus indicates an ability by the Investment Manager or Principal Distributor to charge a maximum of 5% of the subscription price upon entry / 2% of the total redemption proceeds, we have not and do not plan to impose this charge. Performance has been calculated in USD.

Classes I, R[i], and 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 provided for comparison purposes only. 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 2026)

	ISIN	Inception date	Total net assets (mil)	NAV	Upside / Downside capture ¹
Class I	LU0407242659	28/01/2009	\$309.8	59.84	86.0% / 103.9%
Class R[i]	LU0527403801	21/10/2011	\$20.0	38.88	86.1% / 103.9%
Class X	LU0643341406	10/07/2012	\$2.3	33.11	

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 2026	
Common stock	94.2%
Cash and cash equivalents	5.9%
Other assets in excess of liabilities	-0.1%
Total	100.0%

Fund facts	
As of 31 March 2026	
Total net assets (mil)	\$332.1
Number of securities held	40
Average P/E	26.1
Average market cap (bil)	\$876.0

Excludes cash equivalents.

Sector weighting	
As of 31 March 2026	
Information technology	35.1%
Financials	14.8%
Health care	11.4%
Consumer discretionary	10.9%
Consumer staples	8.0%
Industrials	7.7%
Communication services	7.3%
Materials	4.9%
Energy	0.0%
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 2026	
Alphabet Inc	6.8%
Microsoft Corp	6.3%
KLA Corp	5.9%
Amazon.com Inc	4.9%
Apple Inc	4.7%
Mastercard Inc	4.1%
Linde PLC	3.9%
Applied Materials Inc	3.7%
Waste Management Inc	3.1%
Walmart Inc	2.8%
Total	46.2%

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.

The objective of the Fund is to provide investors with maximum total return, consistent with preservation of capital and prudent investment management.

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.

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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).

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The fund is an Article 6 SFRD fund.

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

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.

Adverse exchange rate fluctuations may result in a decrease in return or a loss for shareholders.

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.

A summary of investor rights in English is available on the website and can be accessed at <https://www.bbhluxembourgfunds.com/global/institutional/en/investor-rights.html>.



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