

BBH Luxembourg Funds - BBH Core Select

Quarterly Fund Update / 2Q 2022

For Retail Use

Market Overview

The second quarter 2022 proved to be a particularly difficult period for investors as economic and geopolitical concerns overshadowed a relatively robust economic backdrop. Offering little-to-no relief from inflation, rising rates, supply chain disruptions, or currency headwinds, the period concluded the worst start to a calendar year for equities in more than five decades.

Portfolio Commentary

The BBH Luxembourg Funds - Core Select Class X ("Core Select," or "the Fund") declined -15.53% in the second quarter, modestly outperforming the benchmark S&P 500's decline of -16.10%. It is fair to characterize the portfolio's "outperformance" as something of a pyrrhic victory given the magnitude of the absolute decline and our objective of outperforming in down markets. From a sector perspective, Consumer Staples was the most defensive as a group, Consumer Discretionary the least; sector performance broadly mirrored the market's defensive posture. At the security level, Dollar General (DG) and Progressive (PGR) were the top portfolio contributors, Amazon (AMZN) and Alphabet (GOOG) the primary detractors. At quarter-end, the portfolio held 30 positions, 2.47% in cash and by our estimate, a price to intrinsic value¹ of approximately 72%. During the quarter we purchased shares of the dominant digital media software provider Adobe (ADBE) and exited our investment in Starbucks (SBUX).

Shares of discount retailer Dollar General were a standout performer for the quarter after gaining approximately 10%. Shifting spending patterns have been a heightened concern to investors as it relates to retailers; however, Dollar General's recent results served to quell some of these concerns and highlighted the resilience of the business, with the majority of its revenue generated from the sale of consumables (food, cleaning, pet, etc.) categories. Despite broad based inflation, Dollar General's management expressed a view that their customers are holding up well. This is supported by healthy levels of employment across all demographics served while also noting a slight increase in traffic from higher income customers, suggesting a trade down that is positive for the business. With over 18,000 stores across the U.S., Dollar General is well positioned to continue serving its customers through a unique combination of value and convenience, especially in a more challenging economic environment.

At the other end of the spectrum, shares of e-commerce giant Amazon declined 35% for the quarter. In April, Amazon reported its slowest quarterly growth in two decades and its first quarterly loss since 2015. A return to in-person shopping, difficult comparisons, and a shift in consumption to other discretionary categories such as travel have contributed to declining traffic across many large e-commerce sites, including Amazon. Additionally, the company's investments in warehouse capacity and labor weighed on profit margins. While investors have typically rewarded Amazon for making these strategic investments, the current economic environment has produced a more skeptical view. Encouragingly, Amazon Web Services (AWS) and digital ads, the primary sources of the company's profits, have continued showing signs of strong growth.

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

Holdings As of 30 June 2022	
Alphabet Inc (Class C)	6.9%
Berkshire Hathaway Inc (Class A)	5.8%
Mastercard Inc	5.6%
Arthur J Gallagher & Co	4.8%
Linde PLC	4.4%
Zoetis Inc	4.1%
Microsoft Corp	4.0%
Alcon Inc	3.8%
Progressive Corp	3.8%
Amazon.com Inc	3.7%
Copart Inc	3.7%
Costco Wholesale Corp	3.7%
Thermo Fisher Scientific Inc	3.1%
Dollar General Corp	3.0%
Celanese Corp	3.0%
KLA Corp	3.0%
Waste Management Inc	2.9%
Abbott Laboratories	2.7%
Oracle Corp	2.5%
Adobe Inc	2.4%
Nike Inc (Class B)	2.4%
S&P Global Inc	2.3%
Signature Bank	2.2%
A O Smith Corp	2.2%
Diageo PLC ADR	2.1%
Booking Holdings Inc	2.1%
Graco Inc	1.9%
Nestle SA ADR	1.8%
Pool Corp	1.7%
Sherwin-Williams Co	1.5%
Cash & Cash Equivalents	2.5%
Liabilities in Excess of Other Assets	0.7%

Holdings are subject to change.

Amazon has shown an exceptional ability to innovate, effectively allocate capital and build wide competitive moats around its core businesses. While there's a slowdown in the retail business, we believe e-commerce will continue to gain share of the broader retail market with Amazon becoming a main player in the space. As the leader in cloud computing services, AWS is particularly well positioned. Amazon's advertising business also continues to be a beneficiary of the secular shift from print, radio, and TV to digital advertising. Finally, there is a strong continuation of Amazon's innovative, tenacious, and customer-centric culture under the new CEO, Andy Jassy. We believe Jassy's focus on execution and profitability will continue to support shareholder value creation in the long term.

During the quarter we initiated a position in Adobe. Adobe is an enterprise software company with leading applications that address the fundamental needs of creative professionals and knowledge workers to create and distribute content through three segments: Creative Cloud which offers a suite of design, illustration, photo, and video editing software; Document Cloud which includes document management and publishing tools such as Adobe's well known Acrobat PDF reading and publishing software and Adobe Sign which enables signatures and contract management capabilities; and Digital Experience which includes digital marketing and e-commerce products that generate sales and improve checkout workflows. Each segment benefits from powerful competitive advantages and attractive industry growth tailwinds that augment the consolidated company's excellent margin profile, strong free cash flow generation, and attractive returns on invested capital. Adobe's consolidated unit economics are among the most attractive in software because of structural cost advantages at the gross margin level, product status as the standard for its users which contributes to strong customer retention, and exceptional brand recognition which lowers Adobe's customer acquisition costs. We believe recent market weakness, particularly in the Information Technology sector, presents an attractive opportunity to purchase shares of industry leader Adobe at an attractive price.

We exited our investment in Starbucks primarily due to governance concerns associated with an unexpected and protracted leadership transition. Additionally, an uncertain backdrop driven by deteriorating labor relations, increasing investments, and the resurgence of strict COVID restrictions in China are further challenges the business must navigate in the near term that may lead to a wider range of outcomes than we had anticipated. We continue to recognize the attractive long-term attributes of the business but believe it's more prudent to deploy the capital elsewhere while the company navigates its current challenges.

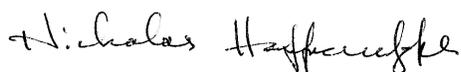
Finally, Signature Bank (SBNY) has recently come under considerable pressure due to what we believe to be misplaced anxiety about the stability of its deposit base. Signature is a leading regional bank with an outstanding long-term record of growth and risk management. Of the bank's \$109 billion in deposits, roughly \$29 billion comes from participants in the cryptocurrency ecosystem including various exchanges, investors, and deposits backing (non-algorithmic) stablecoins¹. All the deposits emanating from these sources are cash, so the company has no exposure to the underlying cryptocurrencies. Critically, the company also has no crypto-related credit exposure. However, given the precipitous drop in the value of cryptocurrencies and the turmoil engulfing that ecosystem, there is a fear that Signature's crypto-related (or digital) deposits will leave the bank and drain liquidity and future earnings power. When evaluating that risk, there are several key considerations. First, during the bank's most recent update at the mid-point of the second quarter, the bank's digital deposit balances were unchanged. Second, Signature has a cash balance of \$26 billion which is available to fund any potential deposit outflows. Because that cash balance has been earning very little interest, the impact of cash outflows on the company's earnings is likely to be very limited. Third, the company has \$27 billion in short-duration, high credit quality securities and well over \$30 billion of untapped borrowing capacity, all of which can be used to fund deposit outflows. Therefore, we do not believe that outflows of digital deposits, were they to occur, would have a profound impact on the company's liquidity or prospective earnings power. Even without any digital deposits, we believe the company's shares are significantly undervalued.

¹ Stablecoins are cryptocurrencies whose value is pegged to that of another currency, commodity, or financial instrument.

Outlook

To date, the primary source of market weakness has been multiple compression in response to rising rates. Looking to the second half of the year, we believe earnings growth will take center stage. Consensus estimates remain, in our view, optimistic. Our portfolio holdings are not immune to inflationary pressures or economic cycles, but we believe they are well positioned compared to the broader market. As a whole, the portfolio's earnings growth, cash flows, and balance sheet health are superior to that of the S&P 500. At the risk of repeating a cliché, we remind ourselves and our investors that bear markets and market cycles are a process characterized not only by magnitude, but also by duration. By historical averages, the current cycle is mature, but attempting to time the market, an individual security, Federal Reserve actions, or the probability of a recession is not only futile, but counterproductive. During periods of market stress, the natural response of most investors is to shorten their time horizon, react to headlines and dwell on price rather than value. Our focus remains on the long-term economic value generated by your portfolio companies. From this perspective, we believe the Fund outlook is excellent.

Respectfully,



Nicholas Haffenreffer*
Fund Manager



Michael R. Keller, CFA
Fund Manager



* Nicholas Haffenreffer joined BBH as Portfolio Manager on 10/4/2021.

Performance

Past performance does not predict future results

Annual Returns

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Class X	25.54%	11.56%	28.09%	-8.25%	18.11%	7.06%	-3.77%	6.91%	25.17%	N/A
S&P 500	28.71%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%	N/A

As of 30/06/2022

Average Annual Returns

	1 Yr.	2 Yr.	3 Yr.	4 Yr.	5 Yr.	Since Inception
Class X	-12.12%	8.50%	5.32%	7.11%	6.58%	8.45%
S&P 500	-10.62%	12.18%	10.60%	10.55%	11.31%	13.12%

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 2021. 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 2022

	ISIN	Inception Date	Total Net Assets (mil)	NAV
Class X	LU0643341406	10/07/2012	\$3.5	\$22.51

Equity Weighting
As of 30 June 2022

Common Stock	96.8%
Cash and Cash Equivalents	2.5%
Liabilities in Excess of Other Assets	0.7%
Total	100.0%

Sector Weighting
As of 30 June 2022

Communication Services	7.1%
Consumer Discretionary	13.4%
Consumer Staples	7.8%
Energy	0.0%
Financials	19.5%
Health Care	14.2%
Industrials	11.0%
Information Technology	18.0%
Materials	9.1%
Real Estate	0.0%
Utilities	0.0%
Total	100.0%

Top 10 Companies
As of 30 June 2022

Alphabet Inc	6.9%
Berkshire Hathaway Inc	5.8%
Mastercard Inc	5.6%
Arthur J Gallagher & Co	4.8%
Linde PLC	4.4%
Zoetis Inc	4.1%
Microsoft Corp	4.0%
Alcon Inc	3.8%
Progressive Corp	3.8%
Amazon.com Inc	3.7%
Total	46.8%

Reported as a percentage of total portfolio.

Fund Facts
As of 30 June 2022

Total Net Assets (mil)	\$247.4
Number of Securities Held	30
Average P/E	24.6
Average Market Cap (bil)	\$265.6
Excludes cash equivalents	

Reported as a percentage of portfolio securities, excluding Cash and Cash Equivalents.

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.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.

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.