Marketing communications

BROWN BROTHERS HARRIMAN

CAPITAL PARTNERS

BBH Luxembourg Funds - BBH Core Select

Quarterly Update | 2Q 2025

Highlights

- During the second quarter of 2025, most portfolio companies in the BBH Luxembourg Core Select Fund (the Fund) reported first quarter 2025 results and provided near- and longer-term guidance.
  - Overall results were mixed, with strong growth in earnings contrasting with downward revisions to expectations. The financial results of the portfolio companies in the Fund 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 portfolio companies in the Fund as cautious near term and highly confident medium to longer term.
- The absolute stock price-driven total returns of the Fund have been solid, in line with expected economic profit growth and current income generation levels we model at normalized levels. On a total return basis, both the Class I and Class R[i] shares increased 8.69%, while the Class X shares increased 8.54% in the second quarter of 2025. The Index increased 10.94% and reached near all-time highs.
- U.S. policy remains the key source of volatility but after the initial shock of Liberation Day tariff announcements, the Index continued higher in the absence of meaningful downward revisions to hard data. While tariff and policy uncertainties continue to be headwinds, we initiated positions in a handful of companies whose fundamental characteristics are attractive on both an absolute and relative basis, operate in industry structures that remain intact, and where valuations were compelling.
- We remain pleased with the year-to-date fundamental performance of our portfolio, continuing trends we have seen for some time. Fundamental performance driving 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.

Market Overview

We entered calendar year 2025 with a high degree of caution. The S&P 500 had just come off its second consecutive year of approximate 25% returns while earnings and free cash flow per share growth were essentially flat over the two-year period. Valuations were full and expectations for earnings growth were high, both on an absolute basis and relative to near and longer-term history, while internal market structure was undergoing a period of dramatic change.

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

With the first quarter of 2025 experiencing a decline of almost 5% and the threat of widespread tariffs beginning to dampen the growth outlook, the second quarter saw the Index increase almost 11%. This was driven, in part, by momentum cohorts within the Index and the Trump administration responding to market volatility by softening its trade policy. With renewed investor confidence and a strong first quarter earnings report, most sectors reported positive returns, with the market being led by information technology (+23.7%), communication services (+18.5%), industrials (+13.0%), and consumer discretionary (+11.5%). These sectors benefited from a renewed appetite for mega-tech stocks, and robust economic data.

On the flipside, the worst-performing sectors were energy (-8.6%) and healthcare (-7.2%). After a brief rebound in the first quarter of this year, the healthcare sector underperformed in the second quarter due to rising uncertainty around the potential effects of U.S. policy and regulatory changes to growth rates, as well as pressures from the Trump administration to lower drug prices in the U.S.

Portfolio Commentary

As we commented in our last update, the financial results of our portfolio companies were strong, with our recipe for economic value creation – reported returns on invested capital (+20%) plus implied free cash flow per share growth (+5%) – attractive on both an absolute and relative basis. 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.

For the quarter, the Fund's largest detractor to total return was **UnitedHealth Group** (UNH).

UNH returned (-47.6%) for the quarter, which represented a -100-basis point (bp)[1] detraction from the Fund's total return. This was driven by news outlets reporting that UNH was under criminal investigation by the Department of Justice (DOJ) for Medicare fraud related to its Medicare Advantage (MA) billing practices. While UNH denies receiving notice of a criminal probe from the DOJ and stands by the integrity of its MA program, we would note that the DOJ has no obligation to disclose notice of a criminal investigation and did not comment on the report. This follows a string of company specific disappointments and missteps in the recent past, leaving us with several outstanding questions. Given this potentially material risk that is outside of management's control, the limited visibility, the lack of details, and the likelihood of this being an overhang over the stock for some time, we concluded that the risk-reward was no longer favorable and exited the position.

For the quarter, the Fund's largest contributor to total return was **Oracle** (ORCL).

ORCL returned (+56.9%) for the quarter, which represented a 287-bp contribution to the Fund's total return. ORCL continues to be one of the main beneficiaries of companies shifting spending toward artificial intelligence (AI) and cloud infrastructure, while at the same time deprioritizing software applications. The company's $500 billion Stargate AI venture with SoftBank and OpenAI that is focused on building AI infrastructure in the U.S., as well as growing demand for their cloud infrastructure offering, or OCI (at the company's fiscal Q4 earnings announcement in June, they reported that cloud infrastructure revenue is expected to grow 70% in fiscal year 2026), should be tailwinds to growth.

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

[1] Basis point (bp) is a unit that is equal to 1/100th of 1% and is used to denote the change in price or yield of a financial instrument.

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.

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

As mentioned earlier, we exited our position in **UnitedHealth Group** (UNH).

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. 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.

To that end, we were able to initiate positions in five high quality companies: **Apple**, **Nvidia**, **Analog Devices**, **Walmart**, **Coca-Cola**, and **McDonald's**.

During the quarter, we made several portfolio rebalancing trades reflective of relative valuation opportunities, risk, and fit with our investment criteria. Turnover during the quarter was ~10.8%, which still high relative to recent activity, representing the opportunity with pockets of valuation support.

We trimmed positions in **Linde**, **Waste Management**, **Texas Instruments**, **Alcon**, and **Alphabet**, based on strength in performance and to manage overall portfolio balance and weightings. We deployed these proceeds into the above-mentioned purchases, as well as added to names that we still have a high degree of conviction in, and where we felt like the share price performance provided valuation

HOLDINGS (AS OF 30 JUNE 2025)

Holding	Sector	Weight (%)
Microsoft Corp	Information Technology	8.00
Oracle Corp	Information Technology	7.27
KLA Corp	Information Technology	6.38
Mastercard Inc	Financials	6.20
Alphabet Inc	Communication Services	5.55
Amazon.com Inc	Consumer Discretionary	4.98
Booking Holdings Inc	Consumer Discretionary	4.18
Linde PLC	Materials	3.81
Automatic Data Processing Inc	Industrials	3.30
S&P Global Inc	Financials	3.21
Arthur J Gallagher & Co	Financials	3.14
Waste Management Inc	Industrials	3.03
Apple Inc	Information Technology	2.94
Otis Worldwide Corp	Industrials	2.88
Zoetis Inc	Health Care	2.85
Adobe Inc	Information Technology	2.69
Thermo Fisher Scientific Inc	Health Care	2.42
Alcon AG	Health Care	2.41
Applied Materials Inc	Information Technology	2.41
Costco Wholesale Corp	Consumer Staples	2.32
Progressive Corp	Financials	2.31
Abbott Laboratories	Health Care	2.13
Cadence Design Systems Inc	Information Technology	2.09
NVIDIA Corp	Information Technology	1.65
Texas Instruments Inc	Information Technology	1.64
NIKE Inc	Consumer Discretionary	1.56
Eli Lilly & Co	Health Care	1.49
Walmart Inc	Consumer Staples	1.47
Procter & Gamble Co	Consumer Staples	1.29
McDonald's Corp	Consumer Discretionary	0.99
Berkshire Hathaway Inc	Financials	0.64
Analog Devices Inc	Information Technology	0.62
Coca-Cola Co	Consumer Staples	0.48
Cash		1.73

Holdings are subject to change.

support. These included **Applied Materials**, **Thermo Fischer Scientific**, **Otis**, and **Automatic Data Processing**.

Outlook

At the end of the second quarter of 2025, we held positions in 33 companies, with the ten largest holdings accounting for 53% of total assets. The Fund was trading at ~97% of our underlying base estimate of intrinsic value, which compares to ~120% for the Index. We ended the quarter with a cash position of 1.75%.

In our view, today's market environment warrants caution and, after making opportunistic adjustments, we remain focused on finding new investments and re-balancing existing portfolio companies in the context of a market environment we view as challenged.

Specifically, 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 Core Select Fund. 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, and Scott Hill

PERFORMANCE | Past performance does not predict future results

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class I	14.83%	22.71%	-21.33%	26.19%	12.17%	28.81%	-7.75%	18.76%	7.65%	-3.24%
Class R[i]	14.83%	22.71%	-21.33%	26.24%	12.18%	28.80%	-7.75%	18.73%	7.65%	-3.24%
Class X	14.19%	22.04%	-21.76%	25.54%	11.56%	28.09%	-8.25%	18.11%	7.06%	-3.77%
S&P 500	25.02%	26.29%	-18.11%	28.71%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%

As of 30/06/2025	Total returns		Average annual total returns				
	3 mo.	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since inception
Class I	8.69%	7.99%	10.50%	15.44%	12.86%	9.77%	11.62%
Class R[i]	8.69%	7.99%	10.50%	15.44%	12.86%	9.77%	10.57%
Class X	8.54%	7.70%	9.89%	14.81%	12.24%	9.17%	9.89%
S&P 500	10.94%	6.20%	15.16%	19.71%	16.64%	13.65%	14.61%

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 30 JUNE 2025)

	ISIN	Inception date	Total net assets (mil)	NAV	Upside / Downside capture[1]
Class I	LU0407242659	28/01/2009	$317.1	61.31	90.1% / 103.3%
Class R[i]	LU0527403801	21/10/2011	$21.5	39.83	90.1% / 103.3%
Class X	LU0643341406	10/07/2012	$2.9	34.07	

[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 30 June 2025	
Common stock	98.3%
Cash and cash equivalents	1.7%
Other assets in excess of liabilities	-0.1%
Total	**100.0%**

Fund facts	
As of 30 June 2025	
Total net assets (mil)	$341.5
Number of securities held	33
Average P/E	29.3
Average market cap (bil)	$818.9

Excludes cash equivalents.

Sector weighting	
As of 30 June 2025	
Communication Services	5.6%
Consumer Discretionary	11.9%
Consumer Staples	5.7%
Energy	0.0%
Financials	15.8%
Health Care	11.5%
Industrials	9.4%
Information Technology	36.3%
Materials	3.9%
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 2025	
Microsoft Corp	8.0%
Oracle Corp	7.3%
KLA Corp	6.4%
Mastercard Inc	6.2%
Alphabet Inc	5.5%
Amazon.com Inc	5.0%
Booking Holdings Inc	4.2%
Linde PLC	3.8%
Automatic Data Processing Inc	3.3%
S&P Global Inc	3.2%
Total	**52.9%**

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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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") or Key Information Documents of the Fund (the "KIDs"). Investment in this Fund entails risks which are described in more detail in the Prospectus and the KIIDs/KIDs. Investors should obtain and read a copy of the Prospectus and the KIIDs/KIDs before investing. Exit Charges are payable to the Fund and not BBH. For a copy of the Prospectus and the KIDs, in English or German or the KIIDs in English, 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.

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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).

The views expressed in this material are those of the presenters as of the date of this webinar and may or may not be consistent with the views of Brown Brothers Harriman & Co. and its subsidiaries and affiliates ("BBH") and are intended for informational purposes only.

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 accessed at https://www.bbhluxembourgfunds.com/global/institutional/en/investor-rights.html.

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