Marketing communications

BROWN BROTHERS HARRIMAN

CAPITAL PARTNERS

BBH Luxembourg Funds - BBH Core Select

Quarterly Update | 2Q 2026

Highlights

- Preserving capital in periods of economic decline or market stress and the risk management of portfolio management activities are the differentiating elements of an investment strategy that also seeks strong relative returns.
  - 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.
  - We are hyper-focused on managing the risk around AI-exposure and continue to diversify while maintaining a level of commitment with some of our long-standing investment disciplines.
- We remain pleased with the continued fundamental performance of the Fund and are gratified that this was reflected with the absolute stock price-driven returns. On a total return basis, the Fund (Class I) increased +15.33% for the quarter and is now up +7.21% for the year. The Index was up +15.20% and 10.21% for each respective period.
- Corporate earnings – powered by productivity gains and profit expectations – was the primary driver of the stellar price appreciation in the quarter.
- 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.

Market overview

We entered calendar year 2026 with some degree of caution. The S&P 500 Index had just come off its third consecutive year of double-digit returns, while earnings (+6%) and free cash flow per share (+3%) compounded annual growth rates were somewhat pedestrian over the three-year period ending December 2025. 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 structures were undergoing a period of dramatic change.

Year-over-year earnings growth for the S&P 500 stands at ~25% which, relative to a normalized rate over a longer-term horizon, suggests the market is overvalued by 10% to 15%. It is our belief that stock prices follow this trajectory of growth and while earnings strength has driven recent broad-based stock price appreciation, nearly half of this has been led by those companies benefiting from the artificial intelligence (AI) spend. Earnings growth for our portfolios companies was ~15% in aggregate year-over-year, which tracks with subsequent stock price performance of ~16%. While AI-related disintermediation risks are real, the resulting 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.

As mentioned in our last quarterly update, 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 pursue our multifaceted investment goals in the context of intense and evolving risks. With the hyperscalers funding the AI infrastructure buildout, and the many diverse companies [some unprofitable] benefiting from their spending, performance measurement and its interpretation should be carefully contemplated. While broad-based profitability and free cash flow margins have been steadily increasing, the market remains highly concentrated. The top 10 stocks in the S&P 500 account for ~37% (almost 52% on a beta-adjusted basis) of the total market capitalization, and this same cohort has accounted for 25% of the returns this year (if we included all "AI Plays", this number will be significantly larger).

Information technology and industrials, two sectors benefiting from the AI infrastructure buildout, returned +32% and +15% respectively in the quarter, contributing almost 1,200 basis points (bps)[1] to the market's total return. Consumer discretionary (+9%) was also strong, driven by large tax refunds and a revival of spending after inflation concerns eased. On the flip side, the energy sector – after a robust first quarter – was in negative territory (-13%) due to falling oil prices, revised earnings expectations from some of the supermajors, and profit taking by investors.

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

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

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. 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. For the quarter, the Fund's ***two largest detractors to total return*** were Zoetis (ZTS) and Nike (NKE) respectively.

Zoetis (share price -39%) was the largest performance detractor, reducing the Fund's total return by ~69 bps during the quarter. Shares declined following a disappointing first quarter 2026 earnings report after the company missed revenue and earnings expectations and lowered forward guidance, calling into question the long-held view that pet healthcare spending remains highly resilient across economic cycles. Earnings misses – particularly among inexpensive or weak momentum stocks – are being punished more severely than historical standards, and the shortfall was concentrated in the U.S. companion animal business, where greater price sensitivity among pet owners, fewer veterinary visits, and heightened competition weighed on demand. With the softness largely specific to U.S. companion animal, the pressure appears more cyclical and competitive than a structural change in the long-term durability of the industry.

Nike (share price -22%) detracted ~43 bps from the Fund's total return during the quarter. The decline in share price stems from the company's recent financial weakness, driven by an ongoing sales slump in China, intense global competition, and supply chain disruptions like elevated tariffs. These factors – along with a slow-moving turnaround strategy under CEO Elliott Hill – have led to declining direct-to-consumer sales and squeezed profit margins.

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

KLA (share price +105%) was the largest contributor during the quarter, adding ~496 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 an exceptionally strong second quarter 2026 print, when the company recorded record revenue and free cash flow, and raised earnings guidance, citing AI demand as a core growth driver. KLA sits at the center of AI-driven semiconductor manufacturing, and the stock has been highly responsive to this changing sentiment with continued confidence that their 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.

Applied Materials (share price +112%) contributed ~310 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 continued strength in global demand for AI infrastructure, which boosted sale and growth in semiconductor equipment, DRAM memory, advanced packaging, and leading-edge logic chips. 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. The company's stock also benefited from strong second quarter results, with management reiterating that they expect demand to continue an upward trajectory in the second half of this year.

Today's market environment warrants caution in our view, and our portfolio construction process has evolved given changing market dynamics. We are hyper-focused on managing the risk around AI-exposure and continue to diversify while maintaining a level of commitment with some of our long-standing investment disciplines. 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. 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

During our evaluation of market risk, we took portfolio action intended to reduce AI-centric product and business model disruption and disintermediation risk. We view risk as the likelihood of permanent loss of capital, not volatility or the fear of missing out on returns generated by less constrained strategies or reference benchmarks, and our trading activity during the quarter balanced these risks with the significant fundamental and valuation support the stocks we own offer.

During the quarter, we executed several portfolio rebalancing trades reflective of relative valuation opportunities, risk, and fit with our investment criteria. We opportunistically ***trimmed*** some of our top performers and re-balanced the consumer and health care sectors; our positions in Nike, Applied Materials, KLA, McDonald's, Alcon, Thermo Fisher, Proctor & Gamble, and Abbot Labs are now better aligned with target weights. We re-deployed proceeds by ***adding*** to our positions in Palo Alto Networks, Blackrock, Intuitive Surgical, Johnson & Johnson, Eli Lilly, Hilton Worldwide, Microsoft, Broadcom, and Nvidia.

HOLDINGS (AS OF 30 JUNE 2026)

Holding	Sector	Weight (%)
KLA Corp	Information technology	7.70
Alphabet Inc	Communication services	6.63
Microsoft Corp	Information technology	5.86
Amazon.com Inc	Consumer discretionary	4.94
Apple Inc	Information technology	4.77
Applied Materials Inc	Information technology	4.66
Mastercard Inc	Financials	3.75
Palo Alto Networks Inc	Information technology	3.45
Linde PLC	Materials	3.30
Analog Devices Inc	Information technology	2.99
Eli Lilly & Co	Health care	2.81
NVIDIA Corp	Information technology	2.75
Waste Management Inc	Industrials	2.69
Cadence Design Systems Inc	Information technology	2.61
Rockwell Automation Inc	Industrials	2.50
Walmart Inc	Consumer staples	2.24
Progressive Corp	Financials	2.22
Johnson & Johnson	Health care	2.08
Berkshire Hathaway Inc	Financials	2.08
Oracle Corp	Information technology	2.04
Costco Wholesale Corp	Consumer staples	2.00
Broadcom Inc	Information technology	1.81
Otis Worldwide Corp	Industrials	1.73
S&P Global Inc	Financials	1.65
JPMorgan Chase & Co	Financials	1.48
Arthur J Gallagher & Co	Financials	1.31
Hilton Worldwide Holdings Inc	Consumer discretionary	1.01
Coca-Cola Co	Consumer staples	1.01
Zoetis Inc	Health care	0.99
Blackrock Inc	Financials	0.89
Booking Holdings Inc	Consumer discretionary	0.87
Procter & Gamble Co	Consumer staples	0.86
NIKE Inc	Consumer discretionary	0.85
Intuitive Surgical Inc	Health care	0.72
McDonald's Corp	Consumer discretionary	0.70
Thermo Fisher Scientific Inc	Health care	0.69
Ecolab Inc	Materials	0.67
Abbott Laboratories	Health care	0.65
ServiceNow Inc	Information technology	0.53
Alcon AG	Health care	0.47
Cash & cash equivalents		7.07

Holdings are subject to change.

Turnover during the quarter was 5.0%. While lower relative to recent periods, this represents a period of market volatility and uncertainty, and where we have been thoughtful about 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 second quarter 2026, we held positions in 40 companies, with the 10 largest holdings accounting for 48% of total assets. We ended the quarter with a cash position of 7.1%.

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 interest rate headwinds, geopolitical risk, and still-high market expectations, we remain focused on investing in companies that meet our criteria, have the fundamental characteristics in place that allow for durability in times of economic and market stress, and offer valuation support.

Our goals are multifaceted and include generating strong absolute and relative returns while at the same time, ensuring we have a portfolio built on durable fundamentals that can endure times of market stress. In order to achieve all these objectives, we have found it imperative to diversify the portfolio – not with the intent to manage tracking error – in order to distribute active share and manage risk that will allow us to both minimize downsize capture and participate in the upside. 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, we are optimistic that these strong trends will continue.

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 30/06/2026	Total returns		Average annual total returns				
	3 mo.	**YTD**	**1 yr.**	**3 yr.**	**5 yr.**	**10 yr.**	**Since inception**
Class I	15.33%	7.21%	12.57%	14.42%	8.88%	10.91%	11.67%
Class R[i]	15.33%	7.21%	12.57%	14.42%	8.88%	10.91%	10.71%
Class X	15.17%	6.92%	11.95%	13.79%	8.28%	10.31%	10.03%
S&P 500	15.20%	10.21%	22.32%	20.61%	13.41%	15.51%	15.21%

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 2026)

	ISIN	Inception date	Total net assets (mil)	NAV	Upside / Downside capture[1]
Class I	LU0407242659	28/01/2009	$353.0	69.02	84.1% / 100.9%
Class R[i]	LU0527403801	21/10/2011	$18.2	44.84	84.1% / 101.0%
Class X	LU0643341406	10/07/2012	$2.6	38.14	

[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 2026	
Common stock	93.1%
Cash and cash equivalents	7.1%
Other assets in excess of liabilities	-0.1%
Total	**100.0%**

Fund facts	
As of 30 June 2026	
Total net assets (mil)	$373.8
Number of securities held	40
Average P/E	34.4
Average market cap (bil)	$1,084.4

Excludes cash equivalents.

Sector weighting	
As of 30 June 2026	
Information technology	42.1%
Financials	14.4%
Health care	9.1%
Consumer discretionary	9.0%
Industrials	7.4%
Communication services	7.1%
Consumer staples	6.6%
Materials	4.3%
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 30 June 2026	
KLA Corp	7.7%
Alphabet Inc	6.6%
Microsoft Corp	5.9%
Amazon.com Inc	4.9%
Apple Inc	4.8%
Applied Materials Inc	4.7%
Mastercard Inc	3.7%
Palo Alto Networks Inc	3.5%
Linde PLC	3.3%
Analog Devices Inc	3.0%
Total	**48.0%**

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.

OTHER IMPORTANT DISCLOSURES

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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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