

BBH Luxembourg Funds - BBH Core Select

Quarterly Fund Update / 3Q 2022

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in the UK, Germany and Luxembourg

3Q Highlights

- BBH Luxembourg Funds - Core Select Class X declined -7.24% in the third quarter, compared to a decline of -4.88% for the benchmark S&P 500 Index.
- While the balance between economic growth and inflation remains fragile, and the market digests the impact of higher rates, we expect volatility to remain high.
- The portfolio's earnings growth, cash flows, and balance sheet health are superior to that of the S&P 500, and we take comfort in the view that the underlying economic profits of our clients' portfolios are resilient and that the value is far more durable than price.

Market Overview

During the third quarter, markets remained focused on one thing – inflation. In his August 26th speech to the Jackson Hole Economic Symposium, Federal Reserve (Fed) Chairman Jerome Powell put ambiguity aside stating, "While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation."¹ Reflecting the increased likelihood of a recession due to tighter monetary policy, markets resumed their downward trajectory and closed the period at new lows. While the balance between economic growth and inflation remains fragile, and the impact of higher rates a source of volatility, we remain focused on assessing attractive opportunities to deliver strong returns through the full cycle.

Portfolio Commentary

The BBH Luxembourg Funds - Core Select Class I ("Core Select," or "the Fund") declined -7.11% for the third quarter versus a decline of -4.88% for the benchmark S&P 500 Index. The primary sources of underperformance were stock-specific, including NIKE (NKE, -18%) on inventory concerns, Alcon (ALC, -17%) on currency headwinds, and Adobe (ADBE, -25%) on the proposed acquisition of design application competitor Figma. On the other hand, allocation was positive as the portfolio was generally overweight better performing sectors and underweight primary underperformers. At the sector level, Industrials, Financials, and Staples held up relatively well, while Health Care and Communication Services performed poorly. E-commerce giant Amazon.com (AMZN) and insurance broker A. J. Gallagher (AJG) were the top contributors, while Alphabet (GOOG) and Celanese (CE) were the largest detractors. At quarter-end, the portfolio held 30 securities, 1.8% cash, and valuation at a wide discount to our estimate of intrinsic value², in sharp contrast to a year ago. During the quarter we purchased shares of Texas Instruments (TXN) and exited our investment in Sherwin-Williams (SHW).

Holdings As of 30 September 2022

Alphabet Inc (Class C)	6.5%
Berkshire Hathaway Inc (Class A)	6.4%
Mastercard Inc	5.4%
Arthur J Gallagher & Co	4.6%
Linde PLC	4.5%
Microsoft Corp	4.4%
Progressive Corp	4.1%
Waste Management Inc	4.0%
Zoetis Inc	3.8%
Costco Wholesale Corp	3.7%
Thermo Fisher Scientific Inc	3.6%
Alcon Inc	3.5%
Dollar General Corp	3.2%
KLA Corp	3.0%
Amazon.com Inc	2.9%
Copart Inc	2.7%
Abbott Laboratories	2.6%
Graco Inc	2.6%
Celanese Corp	2.5%
S&P Global Inc	2.5%
Oracle Corp	2.4%
Diageo PLC	2.2%
Texas Instruments Inc	2.2%
Nike Inc	2.1%
Pool Corp	2.1%
A. O. Smith Corp	2.1%
Booking Holdings Inc	2.1%
Adobe Inc	2.0%
Signature Bank	2.0%
Nestle SA	1.8%
Cash & Cash Equivalents	2.8%
Liabilities in Excess of Other Assets	-0.1%

Holdings are subject to change.

¹ Federal Reserve, Monetary Policy and Price Stability: [federalreserve.gov/newsevents/speech/powell20220826a.htm](https://www.federalreserve.gov/newsevents/speech/powell20220826a.htm)

² BBH's estimate of the present value of the cash that a business can generate over its remaining life.

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Our thesis on Texas Instruments is based on two factors: the long-term secular demand for analog semiconductors and the company's industry-leading capital allocation discipline. Texas Instruments (TI) is a leading semiconductor manufacturer specializing in high-performance analog integrated circuits ("ICs") and embedded processors. Analog semiconductors are increasingly ubiquitous and essential building blocks in almost all electronic systems – a point highlighted by recent supply chain disruptions and geopolitical conflicts. TI possesses several competitive advantages that differentiate it from more commoditized and cyclical competitors. These include customer diversity, captivity, longevity of product cycles, superior technology and manufacturing efficiencies, and critically, disciplined capital allocation. This combination of advantages is difficult to replicate and helps position TI in a unique class of companies capable of generating and returning significant amounts of cash to shareholders on a consistent and dependable basis.

TI's high performance analog products are mission critical building blocks used in applications such as automation, instrumentation, aerospace, defense, communication infrastructure, and the automotive industry. Once the products are qualified and deployed, customers are reluctant to make changes. The cost of analog ICs is small compared to that of the end system, leaving customers likely to make purchasing decisions based on performance and reliability over price. TI has over 100,000 customers, reducing its dependence on any single product, market, or customer. Industry leading scale allows TI to invest more than its competitors in research & development, manufacturing, and distribution. While the industry is fundamentally capital intensive and economically sensitive, CEO Rich Templeton has a strong record as a disciplined capital allocator, delivering tremendous shareholder value over the past 20 years.

Our decision to exit Sherwin-Williams was based on three points, a process first begun earlier this year. First, we wanted to reduce our portfolio exposure to the U.S. residential and commercial real estate markets given current and likely continuing near- and medium-term monetary policy. Reducing and ultimately exiting the company was the best way to achieve this portfolio objective as it is the leading supplier of architectural coatings to the U.S. residential and commercial real estate markets. Second, a recent earnings warning immediately followed a positive investor day at which a completely different fundamental message was delivered suggested a lack of visibility into end-market dynamics. Third, competition for capital in the context of our concentrated approach remains high and we believe there are more compelling long-term investment opportunities with fewer near-term fundamental headwinds.

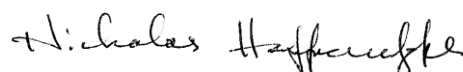
Finally, Adobe's proposed acquisition of cloud-based design company Figma deserves mention as it was a source of pressure for one of the portfolio's more recent investments. On September 16th, Adobe simultaneously reported results for Q3 and announced its intention to purchase Figma for \$20 billion in cash and stock, along with an additional \$2 billion in restricted shares that vest over the four years following the close of the acquisition. While Adobe's quarterly results were strong in the face of macroeconomic headwinds, the market's reaction to the Figma announcement was negative. Shares of Adobe traded down nearly 20% in the two sessions following the announcement, a decline that represented a loss of approximately \$35 billion in market capitalization.

Figma is a competitor to Adobe XD which is Adobe's UI/UX (user interface and user experience) design tool within the Creative Suite. While the purchase price appears remarkably high to acquire a competitor to a single solution within the broader Creative Suite that includes more than 20 individual applications, Figma's collaboration capabilities are superior to any application currently within the Creative Suite. We believe that collaboration functionality accounts for management's generous valuation of Figma and the strategic rationale to acquire the competitor. Over time, we expect to see Figma's collaboration tools and functionality leveraged across Adobe's legacy applications to support growth, pricing power and customer retention. Based on these assumptions, our assessment of the deal's strategic merit is positive.

Outlook

With the Fed's cards on the table, the market's attention turns to fundamentals. While the U.S. economic backdrop remains reasonably strong, the challenges and level of uncertainty remain high. Household and corporate balance sheets are healthy, and employment is full, but consumer confidence and leading economic indicators have turned sharply lower. Supply chain disruptions have been largely resolved, but remain vulnerable and in some cases, have resulted in acute inventory imbalances. The strong dollar poses significant growth and margin headwinds for U.S. exporters. As higher interest rates have brought valuations back to historic long-term averages, we enter the next phase of the market cycle where valuation support will largely depend on the durability of economic profits. On this front, we believe our portfolio is well positioned. Our investments are not immune to inflationary pressures or economic cycles, but compare favorably 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, and we take comfort in the view that the underlying economic profits of our clients' portfolios are resilient and that the value is far more durable than price.

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 I	26.19%	12.17%	28.81%	-7.75%	18.76%	7.65%	-3.24%	7.51%	25.84%	18.51%
Class R[i]	26.24%	12.18%	28.80%	-7.75%	18.73%	7.65%	-3.24%	7.51%	25.84%	18.51%
Class RN[i]**	26.23%	12.18%	28.79%	-7.77%	18.74%	7.66%	-3.23%	N/A	N/A	N/A
Class X	25.54%	11.56%	28.09%	-8.25%	18.11%	7.06%	-3.77%	6.91%	25.17%	N/A
Class R[i](GBP)	27.91%	8.66%	23.93%	-2.28%	8.31%	28.69%	2.31%	14.42%	N/A	N/A
Class RN[i](GBP)	27.90%	8.66%	23.95%	-2.28%	8.35%	28.76%	2.31%	N/A	N/A	N/A
S&P 500	28.71%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%
Average Annual Total Returns										
As of 30/09/2022	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception			
Class I	-7.11%	-27.72%	-18.90%	2.21%	5.19%	7.44%	9.99%			
Class R[i]	-7.11%	-27.73%	-18.90%	2.22%	5.19%	7.44%	8.30%			
Class X	-7.24%	-28.02%	-19.34%	1.66%	4.62%	6.85%	7.45%			
Class R[i](GBP)	1.27%	-12.64%	-2.14%	5.56%	9.09%	N/A	10.06%			
Class RN[i](GBP)	1.27%	-12.64%	-2.14%	5.56%	9.09%	N/A	10.93%			
S&P 500	-4.88%	-23.87%	-15.47%	8.16%	9.24%	11.70%	13.05%			

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

* Returns are not annualized. ** Class RN[i] redeemed 20 April 2022.

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.

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 30 September 2022

	ISIN	Inception Date	Total Net Assets (mil)	NAV	Upside/Downside Capture ¹
Class I	LU0407242659	28/01/2009	\$208.2	\$37.02	86.6% / 100.5%
Class R[i]	LU0527403801	21/10/2011	\$18.0	\$24.05	86.6% / 100.6%
Class X	LU0643341406	10/07/2012	\$3.3	\$20.88	
Class R[i](GBP)	LU0861823945	28/03/2013	£0.4	£25.06	
Class RN[i](GBP)	LU0952054293	02/05/2014	£0.2	£23.94	

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 September 2022	
Common Stock	97.3%
Cash and Cash Equivalents	2.8%
Liabilities in Excess of Other Assets	-0.1%
Total	100.0%

Fund Facts As of 30 September 2022	
Total Net Assets (mil)	\$230.1
Number of Securities Held	30
Average P/E	23.1
Average Market Cap (bil)	\$249.7
Excludes cash equivalents	

Sector Weighting As of 30 September 2022	
Communication Services	6.7%
Consumer Discretionary	12.7%
Consumer Staples	7.9%
Energy	0.0%
Financials	20.0%
Health Care	13.8%
Industrials	11.6%
Information Technology	20.1%
Materials	7.2%
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 30 September 2022	
Alphabet Inc	6.5%
Berkshire Hathaway Inc	6.4%
Mastercard Inc	5.4%
Arthur J Gallagher & Co	4.6%
Linde PLC	4.5%
Microsoft Corp	4.4%
Progressive Corp	4.1%
Waste Management Inc	4.0%
Zoetis Inc	3.8%
Costco Wholesale Corp	3.7%
Total	47.4%
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.

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.

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.bbhluxembourg-funds.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.