

CAPITAL PARTNERS

BBH Luxembourg Funds - BBH Core Select

Quarterly Update | 3Q 2025

Highlights

- During third quarter 2025, most portfolio companies in the BBH Luxembourg Funds – Core Select (the Fund) reported second 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 net of fee basis, the Fund (Class I) increased 4.97% for the quarter, bringing the year-to-date return to 13.36%. The Index increased 8.12% and 14.83% respectively, reaching an all-time high.
- We have experienced very different market dynamics in the last 18 months, characterized by periods of large-cap technology dominance and two separate and historic low-quality rallies that worked to bookend policy-induced growth and economic risk scares in the early part of this year. However, we took advantage of market volatility to engage in several re-balancing trades and initiated a position in a company whose fundamental characteristics are attractive on both an absolute and relative basis, operates in an industry structure that remains intact, and where the valuation was compelling.
- We remain pleased with the year-to-date fundamental performance of the Fund, 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

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

While stock price volatility has been very significant, in the context of history we have seen far greater extremes. However, what is truly unique about the stock price-driven return profile during this period is that it is almost entirely fueled by reflexive bursts of sentiment. This is driving abrupt changes in the factors driving price movements, as the underlying economic backdrop is far more stable, one characterized by moderation in both economic growth and inflation. While the shifts in sentiment have worked to benefit both ends of the quality and risk spectrum, the policy-induced growth and economic risk scare in the early part of this year rewarded quality companies and those that possess the highest levels of financial stability. But the very powerful low-quality rallies that book-end that brief mid-February through early April period have proven to be overwhelming in terms of what's driving relative stock price returns in the U.S. large cap universe, at least during this relatively brief 18-month period.

With first quarter 2025 experiencing a decline of almost 5% and the threat of widespread tariffs dampening the growth outlook, the second and third quarters saw the Index increase ~11% and ~8%, respectively. With price momentum (at the expense of fundamental stability and quality) – led by artificial intelligence (AI) enthusiasm and the Fed rate cut – driving the continued rise in market prices against a resilient, albeit cautionary, macro backdrop, we argue on maintaining patience until we observe a correction in either market prices or future expectations for growth.

Information technology and communication services continued their leadership role, with both sectors returning 13% and 11% respectively, contributing almost 550 basis points (bps)¹ to the market's total return. The consumer discretionary sector was also strong, returning 9%. This was driven by continued consumer spending habits, expectations for future rate cuts, and broader market rotation into cyclicals. On the flip side, defensive sectors remained weak in the face of a risk-on environment, and consumer staples was the lone sector in negative territory, returning -2%.

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, over the three-year trailing period. This compares very favorably to the Index, where net earnings increased 7% but free cash flow per share decreased by 2%.

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

EXHIBIT I

	3 years		5 years	
	Fund	S&P 500	Fund	S&P 500
Growth				
EPS (CAGR)	11.9%	6.5%	15.6%	7.8%
Free cash flow (CAGR)	11.5%	-2.1%	12.8%	4.4%
Quality				
Return on invested capital (avg)	23.7%	10.3%	22.5%	9.6%
Net debt/EBITDA (avg)	1.07x	1.38x	1.00x	1.36x

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

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.

For the quarter, the Fund's largest **detractor** to total return was **Alcon** (ALC).

ALC returned (-15.6%) for the quarter, which represented a 37-bp detraction from the Fund's total return. The decline in share price was largely a result of the company lowering its full-year sales outlook in May 2025 due to tariffs and competitive pressures, although they continue to see strong growth in their vision care segment, which outperformed surgical. The company hosted an investor day earlier this year and we were very encouraged by the level of innovation at the company that should result in sustained growth as well as the rebound in the company's financials, particularly free cash flow, which has been an integral part of our investment thesis since we took a position in the stock in 2019 when the company spun off from Novartis. We continue to maintain a high level of conviction both in the business fundamentals as well as the company's stock.

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

GOOG returned (37.4%) for the quarter, which represented a 210-bp contribution to the Fund's total return. GOOG reported second quarter results that exceeded expectations on most key metrics. Strong performance in the Search segment helped to dispel concerns about potential disruption by generative AI-focused competitors. In addition, the Google Cloud segment demonstrated continued progress in gaining share relative to its hyperscaler competitors and in expanding profitability. From a product perspective, GOOG saw rapid uptake of its key AI offerings during the quarter, with downloads of Gemini surpassing that of ChatGPT, showcasing the strength of its AI innovation.

Beyond the strength in GOOG's fundamental performance, US District Court Judge Amit Mehta issued his remedies ruling in relation to the Search Distribution antitrust lawsuit brought by the Department of Justice (DOJ). The remedies were more benign than many feared and lifted a major overhang on GOOG.

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

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 to that same range of reasonable economic outcomes.

To that end, we were able to initiate a position in **ServiceNow**, a high-quality company whose leading innovation,

product architecture advantages, and the ability to deliver compelling customer value through automation and integration support, underpin their financial profile and our investment thesis.

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 modest, at 2.6%. While low relative to recent activity, this represents the select opportunity with pockets of valuation support.

We trimmed positions in **Berkshire Hathaway**, **Linde**, and **Oracle** based on strength in performance and to manage overall portfolio balance and weightings. We deployed these proceeds into the above-mentioned purchase and added to names that we still have a high degree of conviction in, as well as where we felt like the share price performance provided valuation support. These included **Nike** and **Adobe**. We also continued to build our position in **Walmart**, which we initiated earlier this year.

Outlook

At the end of third quarter 2025, we held positions in 34 companies, with the ten largest holdings accounting for 54% of total assets. As of August 1, 2025, the Fund was trading at ~94% of our underlying base estimate of intrinsic value, which compares to ~116% for the Index. We ended the quarter with a cash position of 0.52%.

In our view, today's market environment warrants caution and, 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.

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

HOLDINGS (AS OF 30 SEPTEMBER 2025)

Holding	Sector	Weight (%)
Microsoft Corp	Information technology	7.97
KLA Corp	Information technology	7.36
Alphabet Inc	Communication services	7.29
Oracle Corp	Information technology	6.45
Mastercard Inc	Financials	6.00
Amazon.com Inc	Consumer discretionary	4.77
Booking Holdings Inc	Consumer discretionary	3.73
Apple Inc	Information technology	3.49
Linde PLC	Materials	3.45
Automatic Data Processing Inc	Industrials	3.00
Arthur J Gallagher & Co	Financials	2.91
S&P Global Inc	Financials	2.84
Waste Management Inc	Industrials	2.80
Thermo Fisher Scientific Inc	Health care	2.78
Adobe Inc	Information technology	2.76
Applied Materials Inc	Information technology	2.58
Zoetis Inc	Health care	2.56
Otis Worldwide Corp	Industrials	2.54
Cadence Design Systems Inc	Information technology	2.28
Walmart Inc	Consumer staples	2.14
Costco Wholesale Corp	Consumer staples	2.08
Progressive Corp	Financials	2.05
Abbott Laboratories	Health care	2.00
Alcon AG	Health care	1.95
NIKE Inc	Consumer discretionary	1.90
NVIDIA Corp	Information technology	1.86
ServiceNow Inc	Information technology	1.52
Eli Lilly & Co	Health care	1.40
Texas Instruments Inc	Information technology	1.39
Procter & Gamble Co	Consumer staples	1.19
McDonald's Corp	Consumer discretionary	0.98
Analog Devices Inc	Information technology	0.61
Coca-Cola Co	Consumer staples	0.43
Berkshire Hathaway Inc	Financials	0.42
Cash		0.52

Holdings are subject to change.

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

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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 30/09/2025	Total returns		Average annual total returns				
	3 mo.	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since inception
Class I	4.97%	13.36%	9.75%	20.24%	11.94%	10.89%	11.76%
Class R[i]	4.97%	13.36%	9.75%	20.24%	11.95%	10.89%	10.76%
Class X	4.83%	12.90%	9.15%	19.58%	11.33%	10.28%	10.08%
S&P 500	8.12%	14.83%	17.60%	24.94%	16.47%	15.30%	14.99%

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 SEPTEMBER 2025)

	ISIN	Inception date	Total net assets (mil)	NAV	Upside / Downside capture ¹
Class I	LU0407242659	28/01/2009	\$331.3	64.36	89.3% / 105.9%
Class R[i]	LU0527403801	21/10/2011	\$22.5	41.81	89.3% / 105.9%
Class X	LU0643341406	10/07/2012	\$3.0	35.71	

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 2025

Common stock	99.5%
Cash and cash equivalents	0.6%
Other assets in excess of liabilities	0.0%
Total	100.0%

Fund facts

As of 30 September 2025

Total net assets (mil)	\$356.7
Number of securities held	34
Average P/E	25.9
Average market cap (bil)	\$932.2

Excludes cash equivalents.

Sector weighting

As of 30 September 2025

Information technology	38.5%
Financials	14.3%
Consumer discretionary	11.4%
Health care	10.7%
Industrials	8.4%
Communication services	7.3%
Consumer staples	5.9%
Materials	3.5%
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 September 2025

Microsoft Corp	8.0%
KLA Corp	7.4%
Alphabet Inc	7.3%
Oracle Corp	6.4%
Mastercard Inc	6.0%
Amazon.com Inc	4.8%
Booking Holdings Inc	3.7%
Apple Inc	3.5%
Linde PLC	3.4%
Automatic Data Processing Inc	3.0%
Total	53.5%

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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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.

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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.bbhluxembourg-funds.com/global/institutional/en/investor-rights.html>.



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