BBH Select Series - Large Cap Fund

Quarterly Fund Update / 2Q 2021

Large-cap domestic equities ended the second quarter of 2021 at all-time highs, supported by rising confidence among investors that the U.S. economic rebound would continue and inflationary effects would dissipate as supply chains rebalance. Lingering benefits of large fiscal stimulus programs launched in the past year likely played a role in supporting the economy's growth, and while political negotiations continue to cloud the visibility of further rounds of spending, the baseline consensus among investors appears to be that the Federal government remains poised to support the economy. Similarly, markets have continued to benefit from liquidity injections and interest rate suppression by the U.S. Federal Reserve, while collective forward expectations contemplate a very slow normalization of such policies.

In contrast to the preceding six months of trading, the performance of the S&P 500 Index during the second quarter was largely driven not by the most economically sensitive sectors, but instead by large technology and Internet-related companies. This familiar leadership pattern dominated much of 2020 but had faded somewhat as the economy began to recover from the COVID-19 recession, spurring a broad shift toward stocks and sectors with more cyclical exposure. During the second quarter, the return of technology's outsized performance influence characterized much of June and further accelerated following the Federal Reserve's update on monetary policy during that same month. The Fed's statements had the effect of flattening the yield curve and cooling some of the bullish sentiment towards cyclicals. Lagging sector groups in the quarter included utilities, consumer staples and industrials, and the S&P 500 Low Volatility Index[1] underperformed the overall equity market (as measured by the S&P 500 itself). Illustrating some of the above observations regarding the latter portion of the second quarter, we note that the performance ratio of the NASDAQ 100 Index[2] to the S&P 500 Equal Weighted Index[3] experienced an especially pronounced divergent inflection (indicating significant outperformance of large technology stocks versus the average large cap stock), while the ratio of the NYSE FANG+ Index[4] to the S&P 500 Low Volatility Index showed a similar pattern (suggesting a 'flight from safety' type of event).

Performance
As of June 30, 2021

	Total Returns		Average Annual Total Returns				
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	8.70%	11.59%	35.60%	N/A	N/A	N/A	15.89%
Benchmark	8.55%	15.25%	40.79%	N/A	N/A	N/A	24.67%
Retail Class	8.59%	11.41%	35.02%	N/A	N/A	N/A	15.32%
Benchmark	8.55%	15.25%	40.79%	N/A	N/A	N/A	24.67%

Class I Inception: 09/09/2019
Retail Class Inception: 09/09/2019

Class I: Net/Gross Expense Ratio (%) 0.74 / 0.74
Retail Class: Net/Gross Expense Ratio (%) 1.05 / 3.48

* Returns are not annualized.

The Investment Adviser has contractually agreed to limit the Total Annual Fund Operating Expenses for Retail Class shares to 1.05% through March 1, 2022. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund's Board of Trustees (the "Board"). Funds redeemed within 30 days of purchase are subject to a redemption fee of 2%.

Past performance does not guarantee future results, and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. For performance current to the most recent month-end please call 1-800-625-5759

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

The S&P 500 Index gained 8.55% in the second quarter on a total return basis. By comparison, BBH Select Series – Large Cap Fund ("the Fund") rose by 8.70%. Since its inception on September 9, 2019 through the end of June 2021, the Fund has risen by 15.89% on an annualized basis, compared to a 24.67% return for the S&P 500.

Since inception, the Fund's annualized return differential vis-à-vis the performance of the S&P 500 has mainly resulted from our lower level of exposure to the small group of mega-cap technology and Internet companies that drove a disproportionate share of the Index's returns. Our primary investment objective is not to track closely with benchmark performance within various parts of an investment cycle, but instead to generate

[1] The S&P 500 Low Volatility Index measures performance of the 100 least volatile stocks in the S&P 500. The members of the Index are drawn from the S&P 500, and weightings are determined by the inverse of their corresponding volatility, with the least volatile stocks receiving the highest weights.

[2] The Nasdaq-100 is an index of large-capitalization growth stocks. Its membership includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization.

[3] The S&P 500 Equal Weight Index includes the same constituents as the capitalization weighted S&P 500, but each member is allocated a fixed and uniform weight, with rebalancing implemented quarterly.

[4] The NYSE FANG+ Index is an equal-dollar weighted index that consists of leading large-capitalization technology and consumer discretionary growth companies that are actively traded in the U.S. Index members include Facebook, Apple, Amazon, Netflix, Alphabet (the parent company of Google), and several other well-known technology-oriented companies.

attractive absolute returns over entire market cycles by consistently owning a carefully-selected group of high-quality businesses with long-term compounding characteristics, using our own independent valuation assessments to inform portfolio decisions.

Portfolio Contribution

For a third consecutive quarter, our largest positive contributor was **Alphabet Inc.**, which returned 21% and was our largest position throughout the period. The Company's shares likely benefited from the broad rotation back towards large-cap technology stocks as noted above, but we see the advance as being well justified by fundamental business performance. With advertising as its primary revenue driver, Alphabet is a clear beneficiary of post-pandemic economic recovery in the U.S. and internationally, and therefore, positive recent indications regarding job growth, consumer spending and further stimulus measures have improved investors' near-term outlook for the stock, in our view. In addition, the Company's earnings report at the end of April highlighted strongly positive trends within the business as well as the inherent earnings and cash flow leverage that accompany Alphabet's leading market position and scale. Drawing upon its balance sheet strength, prolific cash generation and capital allocation discipline, the Company also announced a $50 billion expansion of its share repurchase program. We remain highly optimistic regarding Alphabet's opportunities not only in its core search-related businesses, but also in content, cloud services, hardware and applications – all of which we see as 'megatrends' that are driven by the digitization of commerce and consumer lifestyles as well as the evolution of business computing and data optimization. Notably, we have significantly raised our estimate of the Company's intrinsic value[5] per share over the last few quarters.

Other positive contributors in the second quarter included **Copart Inc.**, **Zoetis Inc.**, **Diageo PLC** and **Nike Inc**. Shares of Copart and Zoetis returned 21% and 19%, respectively, recovering from pullbacks earlier in 2021 that we had viewed as being driven not by adverse business developments, but instead by a market rotation towards lower-quality, smaller companies at the expense of well-positioned growth compounders that had performed particularly well in 2020 in share price terms. Both companies reported solid earnings results in May, with Copart's business achieving strong leverage to robust pricing in the auto salvage market and Zoetis benefiting from continued secular growth and favorable product positioning in the companion animal healthcare market.

Diageo ADRs gained steadily during the quarter, finishing with a return of 16.7%. In May, the Company provided an encouraging trading update in which it noted a further strengthening of recovery in the North America region (the largest source of profits for the overall business), strong execution in the off-trade channel in Europe, and improving trends in the on-trade business in multiple markets that had begun to emerge from pandemic-related restrictions. These developments, which have helped to offset continued weakness in the Travel and duty-free markets, enabled Management to raise its stated earnings targets for fiscal 2021 and resume the Company's share repurchase program. The achievement of all-time highs in the ADR price in June pushed the valuation towards the higher end of our estimated range of intrinsic value, and as such, we elected to trim our position mid-month.

Holdings As of June 30, 2021	
Alphabet Inc (Class C)	8.2%
Berkshire Hathaway Inc (Class A)	6.1%
Zoetis Inc	4.7%
Linde PLC	4.5%
Arthur J Gallagher & Co	4.5%
Amazon.com Inc	4.4%
Copart Inc	4.2%
Mastercard Inc	4.2%
Oracle Corp	3.8%
Alcon Inc	3.6%
Costco Wholesale Corp	3.1%
Nike Inc (Class B)	3.0%
A O Smith Corp	2.9%
Progressive Corp	2.9%
Thermo Fisher Scientific Inc	2.6%
Abbott Laboratories	2.6%
Brown-Forman Corp (Class B)	2.6%
Celanese Corp	2.6%
S&P Global Inc	2.6%
Diageo PLC ADR	2.4%
Waste Management Inc	2.4%
Starbucks Corp	2.4%
Sherwin-Williams Co/The	2.3%
Baxter International Inc	2.3%
Graco Inc	2.2%
Colgate-Palmolive Co	2.2%
Dollar General Corp	2.0%
Visa Inc	1.9%
Nestle SA ADR	1.8%
Booking Holdings Inc	1.7%
Comcast Corp (Class A)	1.6%
KLA Corp	1.5%
Cash & Cash Equivalents	0.4%

Holdings are subject to change.

[5] BBH's estimate of the present value of the cash that a business can generate and distribute to shareholders over its remaining life.

Despite having traded sideways for most of the quarter, Nike shares ended the period with a 16% return following a sizable late-quarter rally spurred by the Company's better-than-expected earnings report in June. For its fiscal fourth quarter, Nike's 96% revenue growth far exceeded the 75% revenue growth outlook Management had provided in the prior quarter despite previously unforeseen challenges in China and headwinds related to shipping, transport, labor and inflation. The quarter's strong revenue growth translated to strong profitability as comparative gross margins benefitted from lapping pandemic-related cost burdens, while marketing and overhead expenses were below pre-pandemic levels.

Though certain operating headwinds are likely to persist in the near term, Nike shared a robust outlook both for fiscal 2022 and the longer term. Encouragingly, Management shared a long-range set of financial goals through 2025 that contemplate revenue growth in the high-single to low-double-digit range and earnings per share growth in the mid-to-high teens on average over the period. Return on invested capital is also expected to exceed prior guidance in the low 30% range. Nike's strategic shift towards a more direct, customer-centric business model gained pace during the pandemic, increasing our long-term confidence in the business and validating our investment thesis, in particular the notion that the Company would successfully de-emphasize undifferentiated retail channels (wholesale) and instead prioritize direct-to-consumer and digital.

The Fund's largest performance detractors during the second quarter were **Booking Holdings Inc., Baxter International Inc.** and **Abbott Laboratories**.

Booking shares rebounded sharply in the latter half of 2020, but have been somewhat rangebound in 2021, which in our view is mainly a consequence of investor unease regarding the pace of travel recovery. The Company's financial results are likely to remain well below their structural potential until vaccination rates increase and COVID-19 case counts fall in its key geographic markets – most notably Europe, where a fragmented lodging industry and the Company's strong brand position have historically acted as strengths, but mixed progress in countries' re-opening has delayed the broad resumption of travel. Nevertheless, we have been impressed by Management's navigation of the crisis and the steps it has taken to position the Company to emerge stronger. For example, investments in its 'connected trip' strategy (facilitating customers' other travel arrangements and experiences beyond lodging) and the pursuit of stronger customer lock-in and affinity through an improved direct mobile app illustrate the demand-side strategic initiatives that Booking is implementing. From a supply-side perspective, we remain optimistic regarding Booking's increasing value proposition for travel providers post-pandemic. With fewer business travel and group room nights likely to be needed for at least the next few years, hotels will lean more heavily on the online travel agencies to help generate demand for unfilled rooms. In such a scenario, the total travel industry will have contracted due to the pandemic, perhaps for an indefinite period of time, but Booking's importance to the industry value chain will have increased, creating the potential for materially stronger revenue and cash flow generation.

The share prices of Baxter and Abbott slipped by low single-digit percentages during the quarter, and while both share the common characteristic of being diversified hospital supply companies, we believe the underlying reasons for the weakness differed. Baxter's cost structure contains a relatively large amount of freight and shipping costs, as many of its products are prepared medical solutions that are sent to clinical locations and patients' homes. As logistics costs throughout the economy have been rising sharply in the wake of the pandemic, Baxter has faced incremental operating costs that cannot be immediately offset by pricing adjustments. While we expect these cost pressures to begin to ease, the net effect in 2021 will be a headwind to operating margins. Abbott announced in early June that its revenue stream from COVID testing kits was deteriorating faster than expected as U.S. case counts declined and vaccinations increased. The anticipated flow-through effect to forecast EPS was significant, causing a swift negative reaction in the shares. The eventual tapering of COVID-related revenues was well known in the market, and it was incorporated in our original investment thesis. The Company's announcement, while disappointing in the short term, could be viewed as a de-risking event, clearing the way for other positive developments in the core business to regain visibility. Moreover, the recent proliferation of new strains of COVID in various parts of the world could precipitate a need for re-activated testing protocols, potentially blunting some of the business headwind for Abbott.

Portfolio Changes and Valuation

Prior to the second quarter, we had been fairly active from a trading perspective since mid-2020 as economic disruption and subsequent market volatility gave us multiple opportunities to rebalance parts of the portfolio, pursue conviction-driven upgrades in our holdings and close out certain positions. In contrast, the second quarter was notably quiet, as we had no new positions or exits in the portfolio. It is important to note that the Select Series -Large Cap investment team had anticipated reaching this somewhat more settled, lower-turnover state for the simple reason that we believe the long-term benefits of investing in high-quality, uniquely positioned compounder-type businesses at attractive prices are best achieved when a manager is willing to step back and let it happen, rather than trying to piece together short-term timing-driven trades and top-down market calls. We will continue to step into opportunities as and when they materialize, and we maintain an active pipeline of portfolio candidates that have been extensively researched by our team members.

In mid-June, we added to our existing holdings of **Progressive Corp.** as the shares had begun trading at a wider discount to our estimate of intrinsic value. We believe the stock's pullback primarily related to a view that the process of economic re-opening would create upward pressure on loss ratios (more driving, more accidents and inflation in repair costs), while year-over-year comparables for growth in policies would become more challenging as time passed. In our view, these considerations are valid, but they should neither be surprising, nor are they likely to create any structural changes to Progressive's differentiated capabilities in underwriting, its brand strength, or its customer service – all of which are vastly more important to the Company's ability to maintain its long-running gains in market share and its shareholder value creation potential.

Along with the trim to our Diageo position noted above, we also made a small, valuation-driven reduction in our holdings of **A.O. Smith Corp.** in April.

At the end of the second quarter, we had positions in 32 companies with 48% of our assets held in the ten largest holdings. As of June 30, the Fund was trading at 93% of our underlying intrinsic value estimates on a weighted-average basis, which compared to 92% at the end of the prior quarter, and 95% at the beginning of the year. We ended the quarter with a cash position of 0.4%, which was approximately equivalent to the prior quarter's level as our trading actions were essentially capital-neutral.

Commentary

The rapid recovery of the U.S. economy from last year's pandemic-driven recession has been highly supportive of corporate earnings and equity prices. While our baseline view is that the economy remains reasonably well positioned with potential for additional growth, we believe it is important to consider the role of fiscal and monetary stimulus actions as exogenous factors that may have masked the underlying organic, self-sustaining vibrancy of consumer spending. Our interest in this topic does not indicate a desire on our part to make a top-down macroeconomic prediction or manage the portfolio in a way that would follow from doing such. Instead, we are focused on the issue of the sustainability (and efficacy) of these unprecedented stimulus actions and the attendant inflationary risks that could erode the real value of future earnings and thus prospective equity returns. But unfunded federal spending and excess liquidity creation by the U.S. Federal Reserve are not our only areas of concern regarding inflation. Widespread supply chain disturbances such as inventory shortages, production constraints and port congestion as well as a sharp rise in commodity prices have all occurred alongside the economic rebound noted above. The result has been a liftoff in observed inflation statistics, which has spawned a great deal of debate among investors, economists and central bankers as to whether the movement in prices will prove to be transitory or the beginnings of a new regime. As with many other types of macro-level debates and uncertainties that arise in the course of business and market cycles, our primary endeavor is not to determine which side to take, but instead to explore how the health of our portfolio companies and their industries could be affected.

The evaluation of inflation scenarios is an important part of the fundamentals-driven investment process that governs stock selection and position sizing in our BBH Select Series – Large Cap Fund portfolios. In this dimension of our analysis, we consider monetary policy, growth, commodity price movements, labor market dynamics, and other factors that influence inflation, but we do not make specific predictions or mechanistically feed these variables into our fundamental research. Rather, we employ a company-by-company approach in which we consider the potential short and long-term effects that such macro-level variables could have on each of our portfolio companies from the perspective of risk as well as opportunity.

Specific to the concept of inflation and the importance of companies' pricing power in combatting its effects (and preserving the real value of earnings), our perspectives tend toward the qualitative, not quantitative realm. We do not believe that pricing power can be properly represented as a set percentage or accurately predicted on that basis for future periods. Instead, we see pricing power as being primarily a function of several qualitative elements, including:

- The necessity of the products and services that a company offers, and the need state in which customers buy (e.g. recurring, episodic, workflow-essential, life-sustaining)
- The differentiation among competitors in an industry (e.g. brand power, product uniqueness, differences in quality, distribution/service advantages)
- Sensitivity to raw material price fluctuation and the ability to pass through increases
- Labor cost input requirements and the ability to pass through increases

One of the primary objectives of our strict set of investment criteria is to *exclude* companies that measure unfavorably against the fundamental elements listed above. This filter, more so than any specific quantitative calculus, provides our best defense against adverse outcomes accompanying a shift in inflation regimes. Inflation protection at the security level derives directly from the presence of business attributes that allow a company to manage the *spread* between input cost changes (direct and indirect) and the pricing component of revenues over time. We also contemplate the impact of inflation on the replenishment of companies' capital stock relative to depreciation. These considerations, taken together, help us to assess the resilience of companies' earnings and returns on invested capital through economic cycles, and they are foundational to our stock selection.

Sincerely,

Michael R. Keller, CFA
Fund Manager

Share Class Overview
As of June 30, 2021

	Ticker	Inception Date	Total Net Assets (mil)	NAV
Class I	BBLIX	09/09/2019	$488.2	$13.00
Retail Class	BBLRX	09/09/2019	$1.7	$12.89

Equity Weighting
As of June 30, 2021

Common Stock	99.6%
Cash and Cash Equivalents	0.4%
Total	**100.0%**

Fund Facts
As of June 30, 2021

Number of Securities Held	32
Average P/E	32.5
Average Market Cap (bil)	$258.2
Turnover (Rolling 12-Months)	27.07%

Exclude cash equivalents

Sector Weighting
As of June 30, 2021

Communication Services	9.9%
Consumer Discretionary	13.5%
Consumer Staples	12.1%
Energy	0.0%
Financials	16.1%
Health Care	15.8%
Industrials	11.8%
Information Technology	11.4%
Materials	9.4%
Real Estate	0.0%
Utilities	0.0%
Total	**100.0%**

Reported as a percentage of portfolio securities.

Top 10 Companies
As of June 30, 2021

Alphabet Inc	8.2%
Berkshire Hathaway Inc	6.1%
Zoetis Inc	4.7%
Linde PLC	4.5%
Arthur J Gallagher & Co	4.5%
Amazon.com Inc	4.4%
Copart Inc	4.2%
Mastercard Inc	4.2%
Oracle Corp	3.8%
Alcon Inc	3.6%
Total	**48.0%**

Reported as a percentage of total portfolio.

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.

Turnover ratio is the rate of trading in a portfolio; higher values imply more frequent trading.

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.

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.

RISKS

Investors in the Fund should be able to withstand short-term fluctuations in the equity markets and fixed income markets in return for potentially higher returns over the long term. The value of portfolios changes every day and can be affected by changes in interest rates, general market conditions and other political, social and economic developments.

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.

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

For more complete information, visit www.bbhfunds.com for a prospectus. You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.

Shares of the Fund are distributed by ALPS Distributors, Inc. and is located at 1290 Broadway, Suite 1000, Denver, CO 80203.

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