BBH Partner Fund – International Equity

Quarterly Fund Update / 4Q 2021

For the fourth quarter ended December 31, 2021, the BBH Partner Fund – International Equity (the "Fund") returned +0.29%. Over the same period, the MSCI EAFE Index[1] (the "Index") returned +2.69%.

Select Equity Group, L.P., the Fund's sub-adviser, assumed management of the Fund on February 24, 2017. Since that date through 2021, the Fund has generated a net annualized return of +11.66%, outperforming the Index's annualized return of +8.76% by approximately +290 basis points[2] ("bps") per annum, and a net cumulative return of +70.68%, outperforming the Index's cumulative return of +50.24% by approximately +2,040 bps. Since the Fund's inception on April 1, 1995 through 2021, the Fund has generated an annualized return of +6.15%, outperforming the Index's annualized return of +5.30% by approximately +85 bps, and a net cumulative return of +486.02%, outperforming the Index's cumulative return of +313.51% by approximately +17,250 bps.

Performance
As of December 31, 2021

	Total Returns		Average Annual Total Returns			
	3 Mo.*	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Class I	0.29%	1.68%	1.68%	17.92%	12.31%	9.04%
MSCI EAFE Index	2.69%	11.26%	11.26%	13.54%	9.55%	8.03%

Class I: Total Expense Ratio (%): 0.71

* Returns are not annualized.

Performance data quoted represents past performance. 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 the most recent month-end performance, call 1 (800) 625-5769. *Fund shares redeemed within 30 days of purchase are subject to a redemption fee of 2.00%.*

Sources: BBH & Co. and MSCI EAFE

Introduction

International equity markets delivered only single-digit returns in 2021, despite a strong recovery in corporate profits and considerable success vaccinating the global population against COVID-19. The emergence of the Delta and Omicron variants prolonged the global pandemic, strained global supply chains and contributed to mounting inflationary pressures in the global economy. The MSCI ACWI ex US Index[3] peaked in mid-June (before the emergence of the Delta variant), proceeded to fall -7% through the end of November and failed to recover to its intra-year highs by year end, despite a +4% return in December (a monthly gain that promptly evaporated in January 2022). The MSCI ACWI ex US Index's returns were also concentrated in just a handful of sectors. Financials (notably banks), Energy and Materials – three generally lower-quality, cyclical sectors that comprise less than one-third of the MSCI ACWI ex US Index – accounted for 62% of its gains for the year. Furthermore, investors in international equities suffered the twin indignities of continued US equity market outperformance (with the S&P 500 Index gaining nearly +29% for the year) and continued US dollar strength (which erodes US dollar-based returns in shares denominated in foreign currencies). The MSCI ACWI ex US Index is now valued at 16.0x trailing earnings per share (EPS) – a historic discount to the MSCI USA Index[4], which ended the year valued at 26.2x. Meanwhile, according to the measure used by the Bank for International Settlements and based on purchasing power parity, the US dollar ended the year 20% overvalued versus a trade-weighted basket of other major foreign currencies.

In the three-year period encompassing 2018, 2019 and 2020, the Fund outperformed the Index by approximately +32.4% on a net cumulative basis and +9.1% net annually. This was a period that demonstrated the quality of our portfolio companies, as our holdings continued to deliver strong growth in cash flows and our estimates of their intrinsic values[5], even as the global economy first slowed (after a record-long expansion) and then sharply contracted amid the pandemic-wrought recession. In that environment, investors understandably fled from cyclical and lower-quality businesses, whose profits were declining sharply off peak levels. In 2021, by contrast, the Fund was up only modestly and underperformed the Index by approximately -10% on a net basis, despite continued strong fundamental business performance by the vast majority of our portfolio companies. This last year, many investors

[1] The MSCI EAFE Index is designed to represent the performance of large and mid cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, and excluding the US and Canada. The Index is available for a number of regions and market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. The Index is not available for direct investment.

[2] A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

[3] The MSCI ACWI ex US Index represents large and mid cap securities across 22 developed-market countries (excluding the US) and 25 emerging-market countries. The Index covers approximately 85% of the global equity opportunity set outside the US. The Index is not available for direct investment.

[4] The MSCI USA Index is designed to measure the performance of large and mid cap securities in the US market. The Index covers approximately 85% of the free float-adjusted market capitalization in the US. The Index is not available for direct investment.

[5] SEG's estimate of the present value of the future cash flow that a business will generate over its remaining life.

rediscovered their appetite for the riskiest, most economically sensitive companies, speculating that a multi-year cyclical recovery was ahead (along with higher commodity prices and interest rates). Globally, the highest-returning assets of 2021 were the most speculative, including Bitcoin (+60% in USD) and Brent crude oil (+50%); the Bloomberg Commodity Index[6] rose +27%, its best year since 1979. Our bottom-up investment philosophy leads us to avoid such macro bets and instead own companies that we believe can reliably compound cash flows and shareholder value for many years, regardless of the broader macroeconomic environment. Notably, the valuation of the companies we own became significantly more attractive over the course of 2021, as their share prices, in many cases, failed to keep up with growth in profits, cash flows and our views of their intrinsic values. Accordingly, we took advantage of numerous attractive opportunities to deploy capital and ended the year with the portfolio substantially fully invested.

Top 10 Companies As of December 31, 2021	
CRH PLC	5.6%
Brookfield Asset Management Inc	4.9%
Safran SA	4.4%
SAP SE	4.1%
Alcon AG	4.0%
Fidelity National Information	4.0%
JD.com Inc	3.8%
Canadian Pacific Railway Ltd	3.4%
Industria de Diseno Textil SA	3.1%
Constellation Software Inc	3.0%
Total	**40.4%**

Reported as a percentage of total portfolio. Holdings are subject to change.

Performance Review

In the fourth quarter of 2021, we had 10 positions that contributed greater than +0.20% each to the Fund's performance, with three of those contributing more than +0.50% each, and 11 positions that detracted greater than -0.20% each, one of which detracted more than -0.50%.

Our top contributor to performance in the fourth quarter was **CRH** (CRH ID), an Ireland-headquartered supplier of aggregates (e.g., crushed stone, sand and gravel) to the global construction industry. Our Research Team has been studying the aggregates industry for more than a decade. Due to their heavy weight, aggregates are expensive to transport. As a result, quarry density and proximity to high-growth metro areas are significant competitive advantages, and most quarries are located within a 50-mile radius of their customers. Unlike many commodity-oriented industries we otherwise avoid, the aggregates market has gradually consolidated over the last several decades with larger, more profitable players, such as CRH, acquiring their way into new regions, while densifying within existing markets. In addition to benefiting from long-term volume growth (around 4% annually during the last 15-year US construction cycle), these mini monopolies now typically command strong pricing power even in relatively weak market environments. CRH, which operates in 29 countries and is more globally diversified than many US-centric competitors, has compounded revenue, operating profit and earnings per share (EPS) by 5%, 14% and 9%, respectively, over the last 10 years with greater than 30% gross margins and more than 10% operating margins. The Company's performance over the last decade is all the more impressive considering that this period included a considerable overhang from the global construction binge that preceded the 2008 Global Financial Crisis. These results also included a lull in FY 2020 when the COVID-19 pandemic temporarily halted new construction projects, causing CRH's sales to decline -2% year-over-year (YoY); notably, operating profit still grew high-single digits that year.

With nationwide US aggregates demand still as much as 20% below prior cycle peaks, CRH is well positioned to benefit from what should be a multi-year runway for aggregates volume growth, which will benefit further from additional demand from post-pandemic infrastructure reinvestment and construction. Despite the fact that CRH is the largest building materials company in the US – twice the size of its top competitor – its European exposure and Irish headquarters have resulted in shares trading at a material discount to US peers. During the quarter, CRH reported solid results, while management reiterated that it expects the Company to be a "price maker" rather than a "price taker," which – combined with the recent passage of US infrastructure legislation and growing inflation – drove shares +12% (in USD) higher, contributing over +50 bps to quarterly performance. The share prices of CRH's more expensive peers appreciated to an even greater degree, however, and we continued adding to our position at a 6%-7% free cash flow (FCF) yield, such that CRH ended the period as our largest holding.

One of our top detractors during the period was **Worldline** (WLN FP), a France-based payment processor. Worldline is the largest provider of non-cash payment-processing solutions to consumer-facing merchants in Europe and the fourth-largest merchant acquirer in the world. Similar to other payment processors we own and about which we have written in past letters, Worldline benefits from the gradual secular tailwind of cash payments converting to digital methods, a process that is still relatively nascent. This is particularly true (surprisingly) in Europe; according to Worldline's management, seven out of 10 payments at point of sale in Europe are still conducted with cash or check. Prior to a COVID-19-driven slowdown in consumer spending in 2020, Worldline had grown organic revenue by mid-single digits over the preceding five years with mid-teens profit margins. Following a slow recovery in FY 2021, we expect Worldline to inflect to high-single-digit organic growth in FY 2022 and beyond, as consumer spending normalizes post-COVID-19. Like

[6] The Bloomberg Commodity Index provides broad-based exposure to commodities with no single commodity or commodity sector dominating the Index. The Index is calculated on an excess return basis and reflects commodity futures price movements. The Index is not available for direct investment.

its peers, Worldline is also a potential tollbooth beneficiary of further inflation, which raises the transaction values processed by payment companies (at a constant percentage fee). Worldline should also continue to gain share via industry consolidation.

During the quarter, Worldline reported results in which its revenue grew 8% organically YoY, and management reiterated full-year financial guidance. Despite that solid performance, its shares declined -26% (in USD), amid a global equity market sell-off in payment processors, detracting roughly -50 bps from quarterly performance. While market observers attributed the declines, in part, to concerns that the Delta and Omicron variants would lead to new economic lockdowns that would postpone the normalization of consumer spending and mobility, the multi-year trajectory for a normalization in pandemic behavior patterns remains very much intact. We added to our Worldline position during the quarter. We attribute some of the recent sector weakness to a top-down rotation into rate-sensitive businesses (notably banks) and out of higher-quality financial technology business models that have traded at higher valuations (justifiably, in our view). We view the sell-off as a rare opportunity to invest in the attractive secular growth of non-cash payment processing at a historically low valuation, with Worldline ending the year trading at a 5%-6% FCF yield and offering more than 50% upside to our estimate of the Company's fair value.

Two other sizeable detractors to performance this quarter were direct competitors: **AIA Group** (1299 HK) and **Prudential plc** (PRU LN). AIA is Southeast Asia's oldest and largest life insurer and a business we have owned for many years. Based in Hong Kong, AIA sells protection (e.g., death and disability) and other savings and annuity-focused products to the rapidly growing middle class in more than 15 emerging Asian markets, many of which have historically lacked a social safety net. Thanks to AIA's more than 100-year history, its regional brand is unparalleled, and the high upfront costs of starting a life insurance company (including regulatory capital reserve requirements and the fact that, while premiums are paid by customers over many years, sales commissions are expensed in the first year or two) ensure that AIA has few, if any, pure-play competitors. Over the last 10 years, AIA has compounded revenue, EBITA and EPS at 11%-12% annually with low-teens growth over the past five years. Prudential plc is a UK-listed company that has transformed from a multi-business financial conglomerate to a pure-play Southeast Asian life insurer, having spun off other divisions to shareholders and now focusing purely on its largest division, Prudential Corporation Asia (PCA) – the second-largest competitor to AIA in the region. Compared to AIA, PCA has generated similar strong operating performance over the last five to 10 years, though it generates a larger percentage of its revenue and profits from the Hong Kong market specifically.

During the quarter, shares of AIA and Prudential declined -13% and -12% (in USD), respectively, detracting a combined roughly -80 bps from performance. Entering 2021, our investment theses for both businesses were predicated on a likely reopening of the border allowing citizens of mainland China to visit Hong Kong. Mainland Chinese visitors account for approximately 50% of the demand for life insurance products in the Hong Kong market, which has declined nearly 100% during the pandemic on border restrictions amid China's "zero-COVID" policy. We have conducted extensive field research confirming that there is significant pent-up demand among Chinese citizens for Hong Kong insurance products, which (among other features) can offer superior health insurance riders to comparable products on the mainland. Despite China's initial success containing the pandemic (relative to Western nations), the Omicron variant has proven particularly challenging to China's zero-COVID policy, as it has rendered the Chinese Sinovac COVID-19 vaccine largely ineffective. While a normalization in demand for AIA and Prudential is likely a "when, not if" scenario, the investment theses will likely take longer to play out over the next few years. In the meantime, AIA and Prudential continue to grow in other markets beyond Hong Kong, and both companies are benefiting from a liberalization of the Chinese Financial sector. Insurance is one of the few industries to have benefited from favorable regulatory changes in China in 2021, as the establishment of a greater private savings safety net is one of the explicit priorities of the Chinese Communist Party's most recent Five-Year Plan. For the first time, the Chinese government has begun allowing 100% foreign ownership of what were once 50% foreign/50% domestic joint ventures, while also granting licenses to AIA last year to expand into new Chinese provinces. Our ongoing field research confirms that the competitive positions of AIA and Prudential should only become stronger over time; the industry's barriers to entry are formidable; and both stocks remain significantly undervalued today. We are confident our patience will ultimately be rewarded when mobility eventually normalizes between Hong Kong and the mainland.

Portfolio Developments

At the end of the fourth quarter, our portfolio's valuation represented approximately 20%-25% upside to our estimate of fair value, roughly unchanged from last quarter and up from 10%-15% upside a year ago. As of quarter end, our cash balance represented roughly 4%, up from 2% last quarter. We ended the period owning 49 companies, up from 46 holdings last quarter. Our 15 largest positions comprised 55% of the portfolio, and our top 20 positions comprised 66%.

Market volatility continues to present us with attractive opportunities to deploy capital. During the fourth quarter, we initiated new positions in a number of Approved List companies at prices we believe represent attractive discounts to our estimates of intrinsic values. These new holdings included: an Italy-based leader in European payment processing; a French manufacturer of electrical products benefiting from the global megatrend of improved building efficiency; and a Swedish maker of design, measurement and visualization technologies.

The Investment Environment

2021 featured one of the most dramatic recoveries in demand and corporate profitability in modern history: The MSCI World Index's EPS growth rebounded from -28% in 2020 to an estimated +70% in 2021, 22% above the 2019 level. Against that strong fundamental backdrop, monetary policy initially remained highly accommodative, particularly in the US. After announcing $23 trillion in policy support in 2020 (equivalent to more than one year of US GDP), policymakers injected another $9 trillion ($4 trillion fiscal and $5 trillion monetary) in 2021. This left the developed world awash with liquidity, driving up demand for risk assets generally and especially for the most speculative businesses and asset classes. However, this ultra-loose policy support amid an already strong economic recovery also served to aggravate supply-chain shortages and bottlenecks that were initially caused by the pandemic. As the year progressed, it became clear that supply in a number of sectors would take longer to normalize than demand. This, in turn, caused headline inflation to rise to levels unseen since the 1980s, leaving the Federal Reserve, in particular, increasingly behind the curve. In the fourth quarter, the Fed belatedly acknowledged reality, started to taper asset purchases, signaled a faster pace of rate hikes ahead and even hinted at balance sheet reduction as early as mid-2022. As we write this letter, the market's realization that all three of these Fed actions would occur simultaneously in 2022 has pressured equity markets, most notably for the shares of growth companies.

The most significant exception to this macroeconomic backdrop has been in China, which was "first-in/first-out" of the initial wave of the COVID-19 pandemic. China's growth momentum and stock prices peaked in February 2021 but then slumped beginning mid-year. What began as a "risk-off" sentiment towards technology stocks amid escalating regulatory crackdowns grew into a broader economic slowdown amid evidence of financial stress in the property sector, which accounts for approximately one-quarter of national GDP. Meanwhile, China's "zero-COVID" policies have weighed on economic growth longer than Western nations, in large part because the Omicron variant has proven more resistant to the nation's Sinovac vaccine. Accordingly, health risks, strains on the hospital system, economic lockdowns and mobility restrictions are currently rising in China even as they appear to be falling in most other large economies. Our portfolio exposure to China is lower today than in recent years and has shifted to companies that are clear beneficiaries of the numerous regulatory changes of the past year.

Times of uncertainty, transition and change are rife with opportunity. For the first time in a decade, developed international market growth prospects generally equal or surpass those in the US. At the same time, the valuation disparity between international and US equities has never been greater. The MSCI ACWI ex US Index trades at the same 14x price-to-earnings multiple as it did in 2010, whereas the S&P 500 Index has rerated from 15x to over 20x today over that same time frame. Meanwhile, foreign currency remains a potential tailwind for US dollar-based investors in international equities. With the trade-weighted US dollar now nearly 20% overvalued on a purchasing power parity basis, we see significant upside in the value of the foreign currencies we own (which we do not include in our valuation framework). In an environment of rising inflation, we seek to own businesses that have strong pricing power due to differentiated, high-value product and service offerings and also have cost structures that are largely insulated from recent spikes in the prices of commodity labor and materials. Meanwhile, the emergence of Omicron as the dominant global strain of COVID-19 offers a silver lining for the ongoing global economy: While far more infectious, Omicron has proven far less virulent than the variants that preceded it (especially for the vaccinated). While we have no control over the risk of new variants, trends around virulence, the scope and availability of treatments and the progression toward immunity (through vaccination and prior infection) are all encouraging. With that said, any investor optimism surrounding the potential end of the pandemic has been overshadowed by fear over the potential ramifications of Russia's invasion of Ukraine. While our portfolio has no direct Russia exposure – and though Russia and Ukraine collectively account for roughly 1% of profits for our portfolio companies – the situation remains fluid; we will share more thoughts next quarter as the tragic conflict evolves.

The ongoing sell-off in the market's most expensive growth stocks was (in our view) long overdue with the public market valuations of many growth companies having risen in the past 18-24 months to levels well above the peaks seen in the five to 10 years before the pandemic. We have been on the sidelines watching these valuations rise into the proverbial stratosphere, focusing our portfolio on companies that we believe generate strong and consistent FCF while trading at a reasonable price relative to those same cash flows. However, the current sell-off in "growth stocks" has initially proven somewhat indiscriminate: Attractively valued, profitable growth companies are selling off alongside the dramatically overvalued "story stocks" into which many investors crowded in the immediate aftermath of the pandemic. With interest rates beginning to normalize, we anticipate that risk appetite for growth companies will resume, and it will increasingly reward those businesses that currently offer an attractive cash flow yield alongside the prospect of many years of growth in those same cash flows. Our portfolio ended the year offering a forward FCF yield of 4%-5%, which we regard as attractive even in an environment in which the risk-free rate rises from near-zero to the 1%-2% range. Our portfolio's discount to our estimate of intrinsic value now offers the widest margin of safety[7] in the strategy's history, with the one brief exception of late March 2020 at the depth of the initial pandemic-

[7] A margin of safety exists when SEG believes there is a significant discount to intrinsic value at the time of purchase.

driven equity market crash. While we continue to remain disciplined as overvalued stocks begin to return to a more normal valuation, we are increasingly seeing and seizing opportunities to deploy capital into what we believe are some of the highest-quality businesses in our investible universe. We thank you for your trust and appreciate the privilege of managing capital on your behalf.

The Fund seeks to generate attractive returns over time but does not attempt to mirror a benchmark or index. The composition of the MSCI EAFE Index is materially different than the Fund's holdings.

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 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.

INDEX DEFINITIONS

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.

RISKS

Investors in the Fund should be able to withstand short-term fluctuations in the equity 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.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging markets securities can be significantly more volatile than the prices of securities in developed countries and currency risk and political risks are accentuated in emerging markets. 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. The Fund also invests in derivative instruments, investments whose values depend on the performance of the underlying security, assets, interest rate, index, or currency and entail potentially higher volatility and risk of loss compared to traditional stock or bond investments.

Asset allocation decisions, particularly large redemptions, made by BBH&Co., whose discretionary investment advisory clients make up a large percentage of the Fund's shareholders, may adversely impact remaining Fund shareholders.

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.

Select Equity Group, L.P. acts as the sub-adviser to the Fund.

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