BROWN BROTHERS HARRIMAN

BBH Partner Fund – International Equity

Quarterly Fund Update / 4Q 2022

For the fourth quarter ended December 31, 2022, the BBH Partner Fund – International Equity (the "Fund") returned +14.96%. Over the same period, the MSCI EAFE Index[1] (the "Index") returned +17.34%.

Select Equity Group, L.P., the Fund's sub-adviser, assumed management of the Fund on February 24, 2017. Since that date through 2022, the Fund has generated a net annualized return of +4.50%, outperforming the Index's annualized return of +4.38% by +12 basis points[2] ("bps") per annum, and a net cumulative return of +29.36%, outperforming the Index's cumulative return of +28.53% by +84 bps. Since the Fund's inception on April 1, 1995 through 2022, the Fund has generated a net annualized return of +4.87%, outperforming the Index's annualized return of +4.52% by approximately +35 bps, and a net cumulative return of +274.02%, outperforming the Index's cumulative return of +240.93% by approximately +3,300 bps.

Performance
As of December 31, 2022

	Total Returns		Average Annual Total Returns			
	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Class I	14.96%	-24.21%	-24.21%	-1.49%	2.36%	4.54%
MSCI EAFE Index	17.34%	-14.45%	-14.45%	0.87%	1.54%	4.67%

Class I: Total Expense Ratio (%): 0.63

Returns less than one year 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

Our investment philosophy is predicated on identifying all-weather businesses that we believe can "make their own luck" and grow revenues, profits and cash flows regardless of the macroeconomic environment. 2022 was a year that provided investors with a stark reminder that macroeconomic and geopolitical risks can emerge and change seemingly without warning. The Fund's portfolio companies continued to demonstrate their quality and resilience in a turbulent year for equity markets, growing revenue and cash earnings at double-digit average rates in each of the last four quarters. With equity markets down sharply over that time, the portfolio ended the year trading at a discount of more than 40% to our cash-flow-based estimate of its intrinsic value.[3] Over the history of the Fund, only March 2020 and September 2022 have offered a wider margin of safety.[4] Historically, upside to our estimate of intrinsic value has been a relatively good predictor of both absolute and relative future returns. Having been unusually active during the equity market dislocation of 2022 — rotating capital to many of the highest-quality businesses in the world as they went "on sale" — we ended the year optimistic and excited about the specific businesses we own, as well as the valuations at which their shares trade.

After three consecutive quarters of broad-based market declines, the fourth quarter of 2022 saw international equities begin to rebound from their September 30th lows. After nine months of rapidly rising interest rates, central bank policymakers began calling for a reduction in the pace of rate hikes in 2023 as economic data showed inflation slowing from the torrid pace seen earlier in the year. Global economic growth prospects were given a surprise boost as the Chinese government abruptly pivoted to a clear and multi-faceted pro-growth policy agenda in November, following two years of domestic economic weakness (much of it self-inflicted). Meanwhile, unusually warm winter weather enabled Europe to replenish its natural gas storage levels — which had been severely depleted by the Russia/Ukraine conflict — a stroke of good fortune given many had predicted a sharp contraction in industrial and economic activity in the months ahead. International equities outpaced US markets during the quarter, as the MSCI EAFE Index returned +17.3%, while the S&P 500 Index[5] posted just a +7.6% gain. Underlying this improvement in overall sentiment, the best-performing sectors remained those in which we do not typically invest (e.g., Energy and Materials, which comprised 0% and 4%, respectively, of our portfolio at quarter end), joined by a few in which we do invest (e.g., Industrials and non-bank Financials, which collectively comprised 36% of our portfolio). Overall, however, the fourth quarter

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

[4] A margin of safety exists when SEG believes there is a significant discount to intrinsic value at the time of purchase. Intrinsic value is SEG's estimate of the present value of the future cash flow that a business can generate over its remaining life.

[5] The S&P 500 is an unmanaged weighted index of 500 stocks providing a broad indicator of price movements. The composition of the index is materially different than the Fund's holdings. The Index is not available for direct investment.

rebound was not a case of "risk on" for growth companies; on paper, the opposite transpired. The MSCI EAFE Value Index[6] returned +19.6% in the fourth quarter, outpacing the +15.0% return of the MSCI EAFE Growth Index[7] by approximately +460 bps.

Reflecting back on the Fund's full-year performance, we characterize 2022 as a year in three chapters, outlined below. Importantly, the last of these chapters is still playing out in 2023.

- **Early 2022** — The Fund fell by roughly -10.2% net from the start of the year through January 27th, a brief period of less than four weeks. The Fund underperformed the Index by approximately -450 bps in this stretch, despite the fact that very few of our companies had yet to report any recent fundamental news or earnings. This period was characterized by a historic top-down rotation in which the share prices of Energy, banks, commodities and capital-intensive, cyclical Industrials stocks significantly outpaced those of the broader market. As these are lower-quality sectors, this rotation amounted to a market-wide bet on early cycle beneficiaries: companies that would benefit the most from a strong global economic rebound from the depths of the pandemic recession. Investors were betting, as they did in 2021, that the widespread availability of COVID-19 vaccines would lead to a multi-year period of economic growth, characterized by robust demand, high commodity prices and falling, non-performing loans on the balance sheets of the world's largest banks.
- **Mid 2022** — Equity markets (and, indeed, all risk assets) endured broad-based declines from January 27th through September 30th, as Russia's invasion of Ukraine caused a sharp acceleration in inflation globally, forcing the hand of central bank policymakers who responded by raising benchmark interest rates. The MSCI EAFE Index fell by -22.7% during this period with all 11 sectors posting declines. The Fund fell by roughly -26.6% net during this stretch, more than the market overall. This relative underperformance was largely attributable to our customary lack of exposure to Energy, which was the sector that declined the least internationally and was down -5.0% during this period amid supply fears caused by the Russia/Ukraine conflict. More broadly, however, this was a classic "risk-off" flight from equities that spared few publicly traded companies with little regard for their fundamental performance and absolute or relative valuation during the period. This stretch reminded us of prior market sell-offs, such as September 2008 through February 2009, October 2018 through December 2018 and February 2020 through March 2020. With our estimate of the intrinsic value of our businesses largely unchanged (despite the normalizing rate environment and the uncertainty caused by the Russia/Ukraine conflict), this downdraft resulted in our portfolio ending the third quarter trading at the widest discount to intrinsic value that we have seen in more than a decade.
- **Late 2022 through early 2023** — Equity markets started to rebound, as inflation began to decelerate and central bankers began to slow the pace of interest rate increases. As risk appetite has cautiously returned in what remains a choppy global economy, we expect investors to gravitate increasingly towards companies whose share prices decreased substantially in the sell-off even though their fundamental near- to mid-term business prospects (in the form of revenue growth, profits and cash flows) continued to demonstrate healthy growth. This is the type of environment in which we would expect our portfolio companies to benefit, given our businesses' resilience historically during periods of growing macroeconomic headwinds. As of the end of January 2023, the Fund had gained +27.5% net since the market's bottom on September 30, 2022, modestly outperforming the MSCI EAFE Index's +26.8% rebound despite the continued outperformance of lower-quality value stocks during that period.

While 2022 was a turbulent year for the global economy, we remained pleased with the fundamental performance of the overwhelming majority of our portfolio companies over the past year. This was once again the case in the fourth quarter of 2022 with our holdings reporting results in which their revenues and operating profits grew on average by 18% and 27%, respectively. Having taken advantage of the broad market sell-off of 2022 to initiate positions in many high-quality growth businesses in our investable universe, we entered 2023 confident in our portfolio companies' abilities to continue to grow strongly, making their own luck even in the face of continued macroeconomic headwinds. Although we own many growth companies on your behalf, these are not overvalued "hype" stocks that struggle to deliver profits today, while promising a huge ramp in earnings over time. In 2022, our businesses generated an average operating profit margin of approximately 28%, significantly higher than the median publicly listed company. Our holdings are highly cash-flow generative and have clean balance sheets. The portfolio ended the year trading at a 4.5%-5.0% current free-cash-flow (FCF) yield,[8] which we believe supports our holdings' current valuations given our expectation for those cash flows to compound at double-digit rates for the foreseeable future. With our businesses having delivered mid- to high-teens growth in revenues, profits and cash flows in 2022 and with the Fund ending the year down -24.2% net, the valuation of our portfolio remains historically compelling. Accordingly, we ended the year substantially fully invested.

[6] The MSCI EAFE Value Index captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. The Index is not available for direct investment.

[7] The MSCI EAFE Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend. The Index is not available for direct investment.

[8] FCF yield is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share. The ratio is calculated by taking the free cash flow per share divided by the current share price.

Performance Review

In the fourth quarter of 2022, 25 positions contributed more than +0.20% each to the Fund's gross performance, 11 of which contributed more than +0.50% each. Conversely, we had two positions that detracted greater than -0.20% each, one of which detracted more than -0.50%.

Top 10 Companies As of December 31, 2022	
AIA Group Ltd	6.3%
JD.com Inc	5.4%
Safran SA	5.2%
PerkinElmer Inc	5.0%
CRH PLC	3.9%
Brookfield Corp	3.8%
Constellation Software Inc	3.8%
Alcon Inc	3.7%
SAP SE	3.5%
Keyence Corp	3.5%
Total	**44.1%**

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

One of our top contributors to performance in the fourth quarter was **Safran** (SAF FP), which we last wrote about during the third quarter of 2020. Safran is an aerospace aftermarket service provider based in France that Select Equity has been studying since 2014. The Company supplies niche components to newly sold aircraft, but it derives approximately 70% of profits from aftermarket engine maintenance and parts provided to aircraft already in service. Safran's engines power over half of all in-service Airbus A320s and all Boeing 737s, which generate predictable, high-margin aftermarket revenue following their initial sale. Because Safran's products are critical to the safety of the aircraft they power and, therefore, subject to intense regulatory scrutiny, they're nearly impossible to displace once designed into a new platform. Safran's content on next-generation models, such as the Airbus A320neo and Boeing 737 Max, should ensure continued growth and aftermarket revenue for many decades. Prior to the disruptive impact of the pandemic, Safran grew revenue 9% annually over the prior decade, while compounding cash earnings-per-share at more than 20% annually with double-digit returns on both total capital employed and shareholders' equity. We built the Fund's current position in Safran as the business began its gradual recovery from the pandemic, which caused a temporary decline in sales and earnings of a company before interest, tax and amortization (EBITA) of more than -30% year-over-year (YoY) and -50% YoY, respectively, in 2020.

During 2022, Safran's recovery gained further traction with sales and EBITA growth accelerating to 25% YoY and 59% YoY, respectively, during the first half of the year. We expect similar top-line results during the second half with global narrow-body flight activity approaching (but still about 10% below) 2019 levels. China's forthcoming domestic and international travel reopening should drive further improvements in aircraft utilization, while Safran's contractual pricing escalators and the easing of supply-chain challenges should aid the ongoing normalization in profitability to the double-digit margins it enjoyed historically. During the fourth quarter, Safran's shares appreciated +35% (in USD) on the back of strong results and an optimistic outlook, contributing roughly +150 bps to the Fund's performance in the period.

A top detractor from performance during the period was **Fidelity National Information Services** (FIS US). Our multi-year ownership of FIS dates back to the Fund's position in UK online payment processor Worldpay, which agreed to be acquired by US merchant payment processor Vantiv in an all-stock transaction in 2018. We continued to hold the position at the time; Select Equity's US Research Team had studied and admired Vantiv for many years, and we collectively viewed the combination as attractively valued given the considerable cost savings afforded by the merger. In fact, the Vantiv-Worldpay merged company was acquired by FIS (once again for shares) in 2019. FIS is the largest provider of outsourced transaction processing services and software to large US banks, including debit and credit processing, online banking and bill-pay technology and capital markets software. Over the last 10 years, the Company has compounded its revenue and cash earnings at mid-teens rates while generating strong and consistent FCF. FIS's various business lines are highly recurring in nature, and management has augmented the mid-single-digit growth profile of its end markets through astute capital allocation. Prior to buying Vantiv-Worldpay, the Company had completed numerous sizable acquisitions (including Metavante Technologies in 2009 and SunGard in 2015), and the management team (led by CEO Gary Norcross and CFO James "Woody" Woodall) had an excellent track record of integrating the acquired businesses, realizing significant operational efficiencies and improving their organic growth profiles.

In the second half of 2021, the global payment processing sector derated substantially in the public equity markets amid a shift out of quality growth companies in favor of more cheaply valued businesses that were perceived as early cycle beneficiaries (including banks and insurers). We added substantially to our position in FIS at the time, as we believed the significant progress in realizing cost savings and the improving organic growth profile of the merged company did not appear to be reflected in the share price. The Company was trading at an all-time low multiple of earnings and cash flows, while continuing to grow revenue at a high-single-digit rate and expanding profit margins. The management team also outlined a plan to devote most of its substantial FCF to repurchase roughly 10%-20% of the Company's shares in the next 18-24 months.

However, a number of changes transpired in 2022 that ultimately led us to determine that our investment thesis in the Company was no longer playing out. First, the Company's organic growth in the acquired payments businesses began to slow, both on an absolute basis and relative to industry peers. For the first time in our multi-year study of the Company and its value chain, a collection of assets that have historically gained market share were suddenly experiencing uncharacteristic market-share losses. We began to question whether management's focus on realizing cost savings was beginning

to come at the expense of consistent go-to-market execution among the sales force. Second, Norcross and Woodall both announced their retirements; while this was expected over the next few years, the timing was sooner than we had anticipated. Their replacement, President Stephanie Ferris (previously the CFO of Vantiv), proceeded to announce a surprising change in direction for FIS — one we struggled to understand and with which we did not agree. Ferris first revealed a change in capital allocation priorities, deferring the promised share repurchases and reprioritizing mergers and acquisitions in higher-growth (and, thus, likely expensively valued) emerging areas of payment processing. This had not been the modus operandi for FIS or its acquired businesses historically, and we feared shareholder value would be destroyed, rather than created, amid such a shift. Additionally, Ferris announced a strategic shift to deemphasize the high-growth merchant acquiring business, a surprising move given her own background at merchant acquirer Vantiv and one for which the stated explanations around end-market weakness ran counter to everything we were hearing from our independent field research, as well as our ongoing conversations with other companies in the payments value chain.

FIS shares fell -10% (in USD) in the quarter on investor frustration with the change in messaging and direction, and we made the difficult decision to divest our position. While we were disappointed to crystallize a realized loss on our FIS investment, we did so at a moment when our broader investment opportunity set has rarely been more attractive (such that we were essentially fully invested). While FIS shares were down considerably in 2022, so too were the share prices of the vast majority of our Approved List amid the global equity market sell-off. Rather than remain invested in what we feared was becoming a value trap with deteriorating fundamentals that ran contrary to our investment thesis, we rotated capital into a number of positions that offered deep discounts to our estimates of intrinsic value, attractive risk/reward profiles, improving end-market fundamentals and/or compelling "why now" arguments and investment theses that remained very much on track.

Portfolio Developments

At the end of the fourth quarter, our portfolio's valuation represented approximately 40%-45% upside to our estimate of fair value, compared with approximately 55%-60% last quarter. We exited the quarter nearly fully invested, while owning 50 companies, up from 48 last quarter. We continue to remain relatively concentrated in our highest-conviction opportunities: Our 15 largest positions at quarter end represented 58% of the Fund, while our 20 largest positions collectively represented 68%.

In recent years, we have received more questions from clients about our views on China than on any other macroeconomic or geopolitical topic. Our Research Team has been continuously studying China — both bottom up and top down — for more than a decade. During that time, we have witnessed at least three different boom and bust cycles during which Chinese equities have moved from being strongly in favor to decidedly out of favor among foreign investors. Our approach to researching and investing in China has never changed: We seek to identify the relatively few companies in the region that we believe meet our business quality criteria; we seek to build conviction around conservative estimates of what those businesses are intrinsically worth; and we actively monitor the evolving top-down risks that might threaten an otherwise rosy bottom-up outlook for these companies. From January 2021 through October 2022, Hong Kong and Chinese stocks have been among the worst-performing global equity markets after four generally very strong years for equity returns from 2017 through 2020. Our Research Team has been actively monitoring a number of distinct top-down risks that have emerged in 2021 and 2022.

First, the past two years have seen the Chinese government pursue a number of domestic policy initiatives that have negatively impacted corporate earnings. Overall economic growth has slowed as a result of the zero-COVID pandemic containment policy (and its rolling economic lockdowns), while a forced bubble-bursting for the Chinese property sector (historically representing as much as 29% of Chinese gross domestic product [GDP]) has been another sizable headwind. Additionally, the Chinese Communist Party (CCP) in 2021 pursued a number of new corporate regulatory initiatives that have impacted business and investor confidence generally, while meaningfully restraining earnings growth for a number of companies and sectors. Separately, investors have also been contending with heightened geopolitical risk on numerous fronts. Speculation that China might become directly involved in military conflict either in Ukraine (alongside historical ally Russia) or Taiwan (with which China seeks to reunify in the decades ahead) has led to investor fears that China could be deemed "uninvestable" by Western capital allocators (as happened with Russia in Q1 2022). Meanwhile, the US passed legislation several years ago that would result in the mandatory delisting of all publicly traded American Depositary Receipts (ADRs) of Chinese companies unless the Chinese government permitted substantially greater access to overseas accounting regulators than what has historically been made available. As recently as October 2022 — the month when Xi Jinping consolidated power and secured a third term at the National Congress of the CCP — investors could point to few, if any, concrete signs that any of these top-down risks were abating. Accordingly, up to this point in the year, we had not meaningfully added to our Fund's exposure to Greater China. Despite increasingly attractive bottom-up valuations, the persistent top-down headwinds continued to present a more challenging overall risk/reward profile.

In November 2022, a great deal changed in a very short time period in China, and many of the top-down risks confronting would-be investors in Chinese equities diminished significantly, receded altogether or switched from being headwinds to tailwinds. First, the new Xi administration abruptly pivoted its

economic and regulatory policy priorities to unambiguously focus on accelerating domestic economic growth. Zero-COVID was abandoned in favor of a full reopening of the Chinese economy; the government announced new measures to support and revive the property sector; and the regulatory assault on the dynamic technology industry formally concluded, with the government explicitly endorsing and supporting many of the same companies and sectors it had openly attacked just 12-15 months earlier. Second, Xi and his new foreign policy team pivoted to a far more conciliatory posture geopolitically, aimed at improving deteriorating relations with the West (notably the US). This included Xi providing specific reassurances that a military operation in Taiwan was not on the agenda for the foreseeable future and altering its rhetoric on Taiwan to emphasize a "patient" desire to achieve "peaceful" reunification over time. Meanwhile, as the Russia/Ukraine conflict grinded on, the Biden administration acknowledged in comments during November that it continued to see no indications that China had provided any direct or indirect military support to Russia over the course of the conflict. Finally, the US ADR delisting risk disappeared overnight when the US Public Companies Accounting Oversight Board announced in December that it was assigning a clean bill of health to the auditors of all Chinese-listed ADRs, having received exactly the audit-workpaper access it required during the most recent audit inspections that had taken place in Beijing and Hong Kong beginning in September 2022.

Beginning in early November 2022, as the broader risk/reward paradigm facing investors in Chinese equities shifted dramatically in investors' favor, we added to and/or initiated a number of positions in Approved List companies with significant business exposure to Greater China. These companies — including several listed or dual-listed in Hong Kong — all stand to benefit from the meaningful rebound in the reopening of the Chinese economy in the years ahead and were trading at significant discounts to our estimates of intrinsic value at the time of purchase. While many of these shares subsequently rebounded from the depths to which they had plummeted by late October 2022, we believe they remained attractively valued at year end. We believe we are still relatively early in what could be a multi-year period in which both corporate earnings and valuations could improve dramatically after nearly two years of one-way "risk-off" investor sentiment.

One notable company in Greater China to which we have significantly increased exposure over the last few months is **Taiwan Semiconductor** (2330 TT), commonly referred to as "TSMC." TSMC is the largest semiconductor foundry in the world, manufacturing chips for a variety of use cases and form factors (e.g., mobile phones, laptops, desktop computers, data centers and cars) for customers like Apple, Qualcomm and Nvidia. Approximately 60% of TSMC's sales come from leading-edge technologies, which is indicative of the highly technical process expertise that serves as the Company's moat (the second-largest foundry, GlobalFoundries, has pulled back from advanced-node manufacturing in the face of TSMC's dominance and has just 9% share). While chip volumes are cyclical, the diversity of TSMC's customer base dampens its exposure to any single end market while allowing the business to benefit from long-term demand for more powerful computing in an original equipment manufacturer-agnostic fashion. Through a full cycle, TSMC has compounded sales and earnings per share (EPS) at 10%-15% annual growth rates. We can think of few other businesses in the world with such an irreplaceable value proposition that its continued operation has become a potential deterrent to large-scale military conflict, particularly fears over any possible Chinese occupation of Taiwan. This unique degree of bargaining power applies to TSMC's corporate customers as well.

Since January 2021, TSMC has derated from a valuation of more than 30x forward earnings to less than 10x forward earnings in early November 2022, despite delivering strong double-digit earnings growth in each of the past two years. We significantly increased our position in the first week of November at these historical trough multiples, as — among other considerations — the risk of an imminent military confrontation with Taiwan began to sharply recede against the backdrop of China's pivot towards Western-friendly diplomacy. While we anticipate TSMC's results will slow somewhat in 2023 after the torrid growth enjoyed in 2022, we believe the Company will fare far better than many of its customers by virtue of its diversification with a strong recovery (more than 20% YoY) in sales and earnings expected in 2024. TSMC ended the year as one of the portfolio's 15 largest positions.

The Investment Environment

During the fourth quarter, investors welcomed continued signs that inflation is beginning to decelerate globally. After peaking at 9.1% in June, the US Consumer Price Index (CPI) — a key reference point even for international investors given the US dollar's position as the global reserve currency and US sovereign bond yields as the proxy for the global risk-free rate — slowed in each subsequent month, ending the year at 6.5%. Core CPI (excluding food and energy) ended the year at 5.7%, down from a peak of 6.6% in September. US personal consumption expenditures — a key data point for Federal Reserve (Fed) policymakers concerned about an overheating economy — decelerated every month in the fourth quarter to end the year at 4.6%. While wage inflation remains relatively hot in a tight overall labor market — US unemployment ended the year at 3.5%, still very low by historical standards — the New York Fed's survey data reveals that US consumer expectations for future inflation three years ahead have now fallen to 2.7%, the lowest level since October 2020. Against this backdrop, the Fed has now begun to slow the pace of interest rate increases. After four straight 75 bps rate hikes between June and November 2022, the Fed raised rates by just 50 bps in December, followed by a 25 bps rate increase in early 2023. With improved clarity on the "new normal" risk-free rate, investors, who spent much of the past year retreating from equities globally (particularly the shares of growth companies), finally began to exhibit some risk appetite in the fourth quarter. While we generally avoid macro predictions and do not predicate our portfolio construction on macro bets, we believe monetary normalization is now fairly well advanced. The real

US 10-year Treasury yield is now back above its trailing 10-year average, and the equity market valuations for high-quality companies globally derated to such an extent that we believe 2023 may mark the year that share prices are, once again, driven more by bottom-up fundamentals than by top-down portfolio rotations.

In Europe, the economic growth outlook improved in the fourth quarter. The European economy, somewhat surprisingly, entered 2023 in a decidedly "less bad than feared" position. Over the course of 2022, after Russia's invasion of Ukraine caused an energy price shock across Europe, expectations for 2023 European real GDP growth fell from 2.3% this time last year to nearly flat by the end of the fourth quarter. The latest forecasts are now likely to improve. Thanks to a combination of effective energy policy response, greater-than-expected demand destruction and substitution by European corporates, as well as a considerable dose of pure luck thanks to one of the mildest winters on record, Europe has rebuilt its natural gas storage supplies far quicker than was previously assumed, while averting what could easily have been a disastrous period of rolling industrial and consumer power shutdowns. As a result, the European region's economic outlook has shifted from a clear recession (bordering on a possible depression) to a likely mild recession. This has resulted in improved global sentiment for European equities and has alleviated pressure on the European currency, following a flight to the perceived safety of the USD earlier in 2022. Still, despite rebounding by +9% versus the USD in the fourth quarter, the euro remains 45%-50% undervalued on a purchasing power parity (PPP) basis as of this writing. While we do not endeavor to predict foreign exchange movements (and certainly do not include such predictions in our forecasted investment returns), we believe it is increasingly likely that USD-based investors in European equities could enjoy a multi-year period ahead in which local-currency appreciation in share prices is supplemented by potentially meaningful translation benefits as the currency mean reverts to PPP over time.

Finally, as we discussed earlier in this letter, the forward economic growth outlook for China — the second-largest driver of global growth for most of the past decade — improved dramatically in the final two months of 2022. For most of 2022, President Xi focused on consolidating his power base ahead of the crucial CCP Congress in October. A policy mix heavy on centralized regulation and nationalism — and burdened by the rolling economic lockdowns inherent in the zero-COVID pandemic-response policy — unsurprisingly caused Chinese economic momentum to deteriorate rapidly over the course of the year. By year end, however, many of these headwinds reversed, as discussed in greater detail above, with the government going all in on a pro-growth agenda that also proved more conducive to attracting the foreign direct investment that is vital for sustained Chinese economic prosperity. Most economists are now predicting GDP growth of more than 5% in China for 2023, a significant increase relative to expectations just a few months ago. A revitalized Chinese economy, buoyed by recovering business and consumer sentiment, should bode well not just for domestic Chinese companies but also for the many global businesses for which China has historically been an important and strong growth market.

As we wrote in the Introduction to this letter, our bottom-up investment philosophy has always been predicated on studying and owning highly profitable, growing companies with the ability to succeed in a variety of different macroeconomic environments. Our Research Team has been studying most of these businesses for more than a decade, during which they have compounded revenue and cash earnings at double-digit annualized rates thanks to secular tailwinds and durable competitive advantages. 2022 was a year in which the global macroeconomic and geopolitical landscape changed dramatically on numerous fronts, yet the overwhelming majority of our companies delivered on our expectations that they would prove resilient ports in a storm. Our portfolio's cash earnings grew at strong double-digit rates over the last four quarters, even as their valuations derated dramatically in an environment of broad-based equity market weakness. We took advantage of historically attractive valuations to fully invest the portfolio as we also upgraded its quality, and we exited the year optimistic about the absolute and relative return prospects for the Fund in the years ahead. We thank you for placing your trust in our team, and we continue to 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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