BROWN BROTHERS HARRIMAN

BBH Partner Fund – Small Cap Equity

Quarterly Fund Update / 1Q 2022

BBH Partner Fund – Small Cap Equity ("Fund") declined -12.49% in the first quarter of 2022 compared with a -7.53% decrease in the benchmark Russell 2000 index for the same period. In any context, even when acknowledging the effects of macroeconomic and geopolitical tumult, results like these are disappointing to us. Russia's unprovoked invasion of Ukraine, coupled with persistently high inflation, introduced new uncertainty and hardship around the world and, in turn, negatively impacted the equity markets. In keeping with our disciplined temperament grounded by the principle that long-term share price performance ultimately follows intrinsic value[1] creation, we have learned to expect and take advantage of disconnections between market prices and business fundamentals to build a concentrated portfolio of companies we deem likely to be capable of powering the results we endeavor to produce over the long term.

Performance
As of March 31, 2022

	Total Returns		Average Annual Total Returns				
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	-12.49%	-12.49%	N/A	N/A	N/A	N/A	-20.99%
Benchmark	-7.53%	-7.53%	N/A	N/A	N/A	N/A	-6.48%

Class I Inception: 7/8/2021

Class I: Total Expense Ratio (%): 0.93

* 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%.*

The Fund's benchmark is the Russell 2000 index.

The Fund is new with a limited operating history.

Expenses are based on estimated amounts for the current fiscal year.

Sources: BBH & Co. and Russell

In a sign of the indiscriminate and, we would argue, irrational market environment, share price performance during the quarter contrasted markedly with the strong fundamental progress – even acceleration – of our holdings. As a discipline, we devote comparatively little attention to the former and instead spend most of our time on monitoring and assessing the latter, its trajectory, and its sustainability. We steadfastly believe that, especially in times of macroeconomic uncertainty and geopolitical unrest, the best companies build their advantages, consolidate their positions, and prudently reinvest capital within large or rapidly expanding markets to grow earnings power and intrinsic value at above-market rates. We seek to identify companies that can clear this high hurdle, purchase them at reasonable valuations, and hold them for long periods.

In recent months, the market has served up growing numbers of heavily discounted, competitively advantaged, and growth-oriented small-cap equities, providing opportunities to purchase companies we have long admired while adding to existing holdings. In addition, our research pipeline continues to surface promising businesses that have been the subject of painstaking fieldwork that furnishes the subtle insights necessary to inform prudent investment decisions over long periods. The cumulative impact of these efforts has resulted in two new positions we began building during the quarter and are eager to introduce in a future letter.

Performance Drivers

Our best-performing position was **Despegar (DESP),** with a share price gain of 24.6%. As a reminder, DESP is the largest online travel agency (OTA) in Latin America, having facilitated $4.7 billion of gross bookings for over 5 million travel customers across approximately 270 airlines and 690,000 hotels in 2019, prior to the widespread onset of the COVID-19 pandemic. By virtue of its supply-side and demand-side scale and brand in the region, especially relative to its local and global competitors, we believe that DESP is competitively advantaged and well-positioned to continue aggregating booking activity in the large, fragmented, and increasingly digitized Latin American travel market.

As a direct participant in the travel industry, DESP has unsurprisingly encountered significant challenges during the pandemic. Fortunately, in recent months, these challenges have receded as vaccination rates have risen and the health toll of the pandemic has abated throughout Latin America. As a

[1] Intrinsic value is Bares' estimate of the present value of the cash that a business can generate and distribute to shareholders over its remaining life.

result, many governments in the region have lessened or lifted travel and mobility restrictions, enabling further improvements in Latin American travel demand. As a result, DESP has experienced a meaningful rebound in its business, with gross bookings rising from 56% of 2019 levels in 3Q21 to 75% of 2019 levels in 4Q21. While a resurgence in COVID cases attributable to the Omicron variant led to renewed headwinds late in 4Q21 that continued into 1Q22, these results and the broader environment suggest that Latin American travel and, in turn, DESP are firmly on a path to recovery.

Top 10 Companies As of March 31, 2022	
PagerDuty Inc	9.4%
Alarm.com Holdings Inc	8.8%
XPEL Inc	7.9%
Agilysys Inc	5.5%
Zuora Inc	5.1%
Model N Inc	5.1%
Cimpress PLC	4.4%
Despegar.com Corp	4.3%
Mimecast Ltd	4.0%
Onto Innovation Inc	3.8%
Total	**58.3%**

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

Importantly, the company has not been a passive passenger of the pandemic. The company took difficult but necessary cost-cutting measures to ensure survival early in the crisis with the added effect of enhancing operational and cost efficiency in recovery. Moreover, strategic initiatives like Koin, its Brazilian payments platform, and Pasaporte Despegar, its loyalty program, as well as astute tuck-in acquisitions to expand and consolidate positions in key markets like Mexico and Colombia, have allowed the company to strengthen its consumer value proposition and competitive position throughout its markets. Revenue mix shifts towards more profitable travel packages and foundational investments to enhance pricing and revenue management capabilities should also allow DESP to earn sustainably higher take rates than before the pandemic. Altogether, the company has produced a significant fundamental improvement in its earnings power during the pandemic that is starting to manifest in reported results, although we believe it has yet to be fully realized. For example, on just 75% of 4Q19 levels of gross bookings in 4Q21, the company was able to post near-breakeven GAAP profitability in line with that of the comparable 2019 period, while generating free cash flow to further bolster the balance sheet. As travel demand recovers further in the coming quarters, we expect DESP will continue to benefit and realize enhanced financial performance. With these considerations in mind, we added materially to our clients' position early in the first quarter of 2022 and look to continue adding opportunistically.

Our second-best performing position, with a share price increase of 7.7% in the quarter, was **Astronics (ATRO).** ATRO provides a portfolio of niche components and systems to the commercial aerospace markets. With a near-monopoly on in-seat power systems and similarly stout positions in other key systems such as in-flight entertainment and connectivity, ATRO benefits from specification by OEMs and airlines into long-lived aircraft and fleet programs. Moreover, the company benefits from commercial airlines' strategic initiatives and investments in passenger experience and ancillary revenue streams. Finally, ATRO retains the competent leadership of an experienced management team that has, over the past decade, profitably quadrupled revenue, and over an even longer tenure, navigated the company through the aftermath of 9/11, the Financial Crisis, and now, the COVID-19 pandemic.

Much like Despegar, ATRO has been challenged by pandemic-induced declines in travel activity and, in turn, aircraft production. Also like DESP, ATRO is experiencing a recovery in its business as the pandemic subsides, travel demand improves, airline confidence and fleet investment return, and consequently, aircraft production and maintenance, repair, and overhaul activity pick up. While the trajectory is undeniable, this sequence has not been smooth. Like many other manufacturers, particularly providers of electrical components, ATRO has been subject to supply chain and labor challenges in obtaining parts and producing product volumes commensurate with an improving demand environment, hampering the company's ability to bill and recognize revenue.

While this situation is far from ideal, ATRO does produce critical components and systems for which demand is relatively inelastic. For airlines to operate and for aircraft OEMs to produce, these items must be purchased and installed. As a result, ATRO is booking orders even as production and billing delays persist but is at negligible risk of seeing those orders canceled. With aircraft production continuing to grow as industry giants Boeing and Airbus re-ramp assembly lines, emboldened by recovering order books, ATRO's business is nearly certain to benefit. This is evident in the recovery in quarterly bookings that have now ascended beyond 2019 levels. While some of this is attributable to pent-up demand, ATRO is not facing a weakening outlook or a likelihood of customers turning elsewhere. Thus, while ATRO has been limited in its ability to fulfill orders and convert them to revenue, customer demand seems to be strengthening and should ultimately power the company's recovery.

ATRO also continues to be prudent in managing its costs and its balance sheet. Alongside demand recovery, these measures have allowed the company to de-lever. More recently, ATRO announced a favorable resolution of negotiations regarding earn-outs associated with its disposition of a semiconductor test business in 2019. The settlement will inject meaningful additional liquidity and provide further financial cushion, positioning the company to withstand supply chain and labor headwinds and invest in its recovery. On the basis of improving end-market demand, an unchanged qualitative assessment, and attractive market pricing, we added materially to our clients' position in ATRO early in the first quarter and plan to continue adding opportunistically.

Our worst performing position for the quarter was **InMode (INMD)** with a share price decline of 47.7%. As a reminder, INMD is a leading provider of surgical aesthetic and medical treatment systems used primarily by plastic surgeons, dermatologists, and OB/GYNs. Its minimally invasive, RF-based systems provide meaningful advantages over traditional laser-based systems and deliver a strong value proposition to practitioners and clinics by facilitating incremental serviceable procedures and higher demand through improving quality of care and patient satisfaction. In turn, INMD becomes deeply embedded into practices through training and workflows while maintaining differentiation as one of the few RF-based systems providers.

These characteristics have allowed the company to drive penetration among plastic surgeons and dermatologists in the U.S. and globally with budding opportunities to expand in adjacent physician specialties. Meanwhile, the company continues to leverage the flexibility of its system to broaden the applicability of its RF-based technology to more procedures. INMD does all this while generating compelling economics, with best-in-class revenue growth, gross margins, and operating margins, under the leadership of a founder/owner/operator team undertaking an encore performance in the medical aesthetics space.

Incidentally, the share price percentage decline nearly mirrors the 47% year-over-year revenue growth that the company reported in its fourth quarter. These results cap off a 2021 in which the company posted revenue representing a 51% two-year compound annual growth rate (CAGR) with expectations of continued growth in 2022. This impressive growth comes with free cash flow margins near 50% and a cash-rich, fortress-like balance sheet. Underpinning these financial strengths, and despite macroeconomic uncertainty, INMD continues to enjoy a differentiated product offering, a durable competitive position, and a long runway for driving adoption among core specialties and procedures. Given this, we believe that the risk-reward proposition for the company has improved meaningfully in recent months and remain open to the purchase of additional shares.

Our second-worst performing position in the quarter was **Stitch Fix (SFIX)** with a share price decline of 46.8%. SFIX is an online clothing retailer that bills itself as a personal styling service best known for and still substantially predicated on its "Fixes," which use proprietary customer data to curate and personalize boxes of clothing sent to consumers' homes for a $20 non-refundable "Styling Fee" at a specified frequency or on an ad hoc basis. Upon receipt, customers can easily try on and then buy or return items. SFIX has built and grown this Fix business in a capital-efficient manner with attractive working capital dynamics and industry-leading inventory turns while maintaining compelling customer unit economics. In September 2021, the company launched a more traditional online shopping experience dubbed "Freestyle," wherein customers can browse and purchase clothing that is presented in a personalized manner on demand. Freestyle is intended to complement SFIX's core Fix business as the company expands its range of shopping modalities to enhance its customer value proposition and broaden its customer acquisition channels. With a massive opportunity in North American apparel retail and a growing bench of talented managers, we believe that SFIX is a differentiated, well-positioned, and well-run player in the specialty e-commerce space.

As discussed in last quarter's letter, SFIX has recently suffered from operational challenges that have resulted in disappointing net client additions. While the company is taking action to address these issues, there is not a "silver bullet." As a result, these challenges persisted in the most recently reported quarter and led to downward revisions to SFIX's expectations for 2022 full-year revenue and profitability, driving further weakness in the stock price.

As a reminder, on the customer acquisition side, the company reported issues stemming from (1) a confusing onboarding process that negatively impacted conversion and acquisition of Fix clients; (2) new customer targeting challenges associated with the release of iOS 14; and (3) lower marketing spend due to discipline around minimum return on investment thresholds. The company began making changes to address the acquisition issues stemming from the onboarding process midway through the fiscal second quarter ended January 29, 2022, with recovery in reported Active Client count and revenue not expected until the fiscal fourth quarter at the earliest.

The headwinds to marketing efficiency and, in turn, advertising effectiveness related to stricter privacy policies imposed by iOS 14 represent a more difficult problem but not one that is exclusive or unique to SFIX. Here, the company is working to retool its marketing strategy and take advantage of new channels enabled by the development and buildout of its Freestyle business that were not previously available for its Fix business. This will similarly take time to work through and build up. As a result, the company has prudently elected to pull back marketing spend in line with its discipline around payback and return thresholds as it retools and builds out new customer acquisition capabilities.

On the customer retention side, SFIX reported greater churn specifically from customers who were acquired through a high-dollar referral program that ran from August 2020 to February 2021. The company subsequently determined that this program acquired lower quality customers than inference based on historical data would have suggested. Since this program has been lapped, it will no longer affect performance comparisons, and client retention statistics should better reflect genuine customer satisfaction and engagement.

While the guidance revision may have been a negative surprise to the market, none of the issues driving it were new or materially different compared with what was disclosed in the prior quarter's report. Further, it is well understood that these issues will take time to work through and fix. Importantly,

we do not believe they suggest a meaningful degradation to SFIX's business model, competitive position, or long-term prospects, though they do indicate that the company is contending with a meaningful execution misstep as well as a more challenging environment for online retailers broadly.

To be clear, while this situation is concerning and requires us to be thoughtful and honest about whether the investment thesis has broken, SFIX continues to generate attractive economics from existing clients, driven by improving keep rates and growing average order values for Fixes and increased adoption of Freestyle, which carries better gross margins than Fixes. Similarly, customer economics are improving as revenue per client increases, especially within recently acquired customer cohorts who are spending more on average relative to other cohorts acquired in recent years, and as retention strengthens, as proxied by stable autoship churn and growing subsequent checkouts per new client.

In short, the underlying unit economics of the business are plausibly sound and improving, driving our confidence that SFIX is fundamentally a profitable and above-average retailer. When the company acquires a customer, she is indicating with her wallet that she is satisfied. The issue, of course, is acquiring that customer, and here the challenges remain the same as discussed a few months ago. We did not expect the issues to be fixed quickly, particularly with respect to the changes imposed by iOS 14, and we are willing to be patient but cautious as the company works through current challenges while continuing to make important infrastructure, technology, and data science investments under the direction of a new CTO, a new VP of Product dedicated to Freestyle, and a growing and talented bench of managers. Complemented by a clean balance sheet and a proven ability to generate cash and self-fund its growth, we continue to believe that SFIX represents an attractive risk/reward proposition but remain, as always, opportunistic in evaluating the business alongside a list of prospective holdings.

Portfolio Activity

We took advantage of attractive valuations in high-quality, growth-oriented small-cap equities served up by market volatility to enhance the long-term return potential of the portfolio during the quarter. We continued to use inflows to concentrate capital in exceptional businesses with increasingly attractive risk-reward propositions. We also began building two new positions, and we are excited to introduce these in a future letter.

Concluding Remarks

By the stark but often indiscriminate standards of the market, the first quarter of 2022 represented another challenging period for our portfolio. By the more reliable standards of the continued intrinsic value growth of our holdings and our team's research productivity in identifying companies with the potential to land among the best-performing small-cap equities, it represented another quarter of welcome progress for our carefully constructed portfolio, for our time-tested strategy, and ultimately, for the returns we expect to reap over the long-term time horizons on which we focus.

Macroeconomic shifts and geopolitical conflict disorient and dispirit the markets with the hardship and tragedy they inflict on people. Nevertheless, cautious optimism in the overall trajectory of human progress, a recognition of the investment merits of companies likely to persist and thrive in a range of economic environments, and the careful study and selection of qualitatively exceptional businesses continue to guide our outlook and efforts. Most of all, we are fortified by the appreciation, gratitude, and trust we have for our clients, particularly in times such as these, in our quest to find and own companies capable of delivering category-leading, long-term investment returns. Our work continues apace.

The Russell 2000 index is an unmanaged market capitalization weighted index of 2000 small company stocks of U.S. domiciled companies. The composition of the Russell 2000 Index is materially different than the Fund's holdings. The Index is not available for direct investment.

The Fund seeks to generate attractive returns over time but does not attempt to mirror a benchmark or index.

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.

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.

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.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market 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.

Investing in small sized companies typically exhibit greater risk and higher volatility than larger, more established companies.

Asset allocation decisions, particularly large redemptions, made by an investor or an investment adviser whose discretionary 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.

Bares Capital Management, Inc. acts as the sub-adviser to the Fund.

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