

CAPITAL PARTNERS

BBH Partner Fund – International Equity

Quarterly Update | 2Q 2025

For the second quarter ended June 30, 2025, the BBH Partner Fund – International Equity (the “Fund”) returned 12.8%. Over the same period, the MSCI EAFE Index¹ (the “Index”) returned 11.8%.

Philosophy

The Fund aims to provide investors with long-term maximization of total return, primarily through capital appreciation. Under normal circumstances, at least 80% of the net assets of the Fund are invested in equity securities of companies in the developed and emerging markets of the world, excluding the United States.

Portions of the Fund are allocated to different investment sub-advisers who employ investment styles broadly aligned with the investment adviser’s principles of equity investing. The Fund’s investment adviser monitors the sub-advisers by reviewing their portfolio performance and characteristics as well as organizational activity and departures of key personnel.

Performance review

Our top contributor in the second quarter of 2025 was **Taiwan Semiconductor** (TSM US), widely known as “TSMC,” the Taiwan-domiciled independent semiconductor foundry. As we have discussed in previous letters, TSMC is by a wide margin the largest maker of advanced chips for the global electronics and computing industry. The Company has steadily gained market share over the past two decades as a result of its technological leadership, economies of scale, and its independent foundry model (unlike its two largest competitors, TSMC makes no products that compete with its customers). Notably, TSMC today earns nearly 75% of its revenue and profitability from leading-edge technologies, for which it holds more than 80% market share. We believe TSMC is one of the highest-quality companies in the industry (if not the global economy), with its advantageous “tollbooth” position enabling it to

PERFORMANCE (AS OF JUNE 30, 2025)						
Fund/Benchmark	3 mo.	YTD	1 yr.	3 yr.	5 yr.	10 yr.
BBHLX Class I	12.79%	20.35%	22.89%	14.18%	7.23%	6.91%
MSCI EAFE Index	11.78%	19.45%	17.73%	15.97%	11.16%	6.51%

Class I Net Expense Ratio (%): 0.63 per February 28, 2025, prospectus
Returns of 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

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 U.S. 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.

consistently earn extraordinary unit economics. While the semiconductor business is cyclical, TSMC has steadily outgrown the industry through the cycle, growing at mid-teens rates over time while enjoying very high operating profit margins (>45%), outstanding returns on invested capital, and consistently strong free cash flow (FCF) generation. Over the last ten years, TSMC has compounded its revenue, operating profit and cash earnings at annualized growth rates of 14%, 16% and 17%, respectively.

A year ago, we wrote that we had been reducing our very large TSMC position into strength, with the share price having gained more than +85% in the first half of 2024 as its valuation multiple re-rated to more than 25x earnings. Since that time, and particularly in the first four months of 2025, the shares de-rated once again despite outstanding (and accelerating) growth, driven partly by a momentary panic following the release by Chinese AI company DeepSeek of a purportedly cost-efficient, powerful R1 large-language model (“LLM”). Our ongoing independent fieldwork as well as conversations with customers throughout the global semiconductor industry suggested that if anything, increasingly cost-effective applications would likely spur faster AI adoption and usage over time, rather than the rapid spending pullback some feared in early 2025. Meanwhile, shares were also pressured by ongoing tariff uncertainty impacting the industry overall in the early days of the newly re-elected Trump administration. We added to our position in late Q1 2025 and early Q2 2025, with TSMC once again trading at a mid-teens multiple of forward earnings that are projected to grow in excess of 20% for the next 3-5 years. We have been particularly heartened by the progress TSMC has made scaling its U.S. manufacturing footprint in Arizona which (against considerable odds) has in just a few years begun to achieve production yields nearly identical to those of their longstanding sites in Taiwan. As tariff concerns subsided, TSMC continued to report outstanding results in the second quarter, with its revenue and operating profits advancing 40% and 63% over the prior-year period (respectively). TSMC once again ended the quarter as the Fund’s largest position, trading at just 17x our estimate of 2026 earnings, offering a FCF yield of more than 4%.

The largest detractor during the second quarter was **ICON plc** (NASDAQ: ICLR), the Irish-domiciled global clinical research organization (CRO). Icon generates over 80% of its revenues through conducting late-stage clinical trials for pharmaceutical companies and larger profitable biotech companies. More than 50% of clinical research is now outsourced by the pharmaceutical industry to CROs. Within the late-stage clinical trial setting, there are three dominant CRO providers, of which Icon is the second largest. Icon successfully acquired similar sized PRA Health Sciences in 2021, enjoying significant cost synergies as well as strong revenue growth. Typically, clinical trial work is a non-cyclical industry as the client base is predominantly cash-rich pharmaceutical companies that operate over a long cycle with their own revenues well defended by constant demand. Over a longer-term horizon, Icon is positioned to see mid to high single-digit revenue growth driven by a solid underlying pharmaceutical and biotechnology market and a virtuous circle of the pharmaceutical industry outsourcing clinical research to CROs, which further shifts the benefit to increasingly using CROs as their scale is more efficient than a single pharmaceutical company’s own operations. Furthermore, as the biotechnology industry has become the major inlet for innovation, it means CROs are increasingly required for a fast transition to develop these acquired or partnered molecules. We believe Icon is a high-quality company with over 20% EBITDA margins and strong free cash flow, with only moderate variation through the economic cycle.

We invested in Icon post the announcement of the PRA acquisition when we saw opportunity as the market was skeptical on the ability of the company to generate the synergies from such a large deal while not damaging the combined revenue base. Since this time, Icon delivered a strong absolute return as its performance defied these views and the company continued to report solid earnings while others in the industry, more exposed to biotech

TOP 10 COMPANIES (AS OF JUNE 30, 2025)

TSMC ADR	4.9%
BAE Systems	3.7%
Thales SA	3.1%
OBIC Co.	2.8%
London Stock Exchange Group	2.8%
CRH	2.6%
Safran SA	2.3%
SAP SE	2.1%
Universal Music Group	2.0%
Constellation Software	1.9%
Total	28.0%

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

companies, started to see pressure from high interest rates reducing biotech investment and funding. Since then, we have seen both idiosyncratic and broader healthcare related factors weigh on the Icon shares. Icon saw two of its largest clients restructure their clinical trial organization, creating a pause in decision making and outsourced revenue opportunities for Icon over 2H24/1H25, which will hamper growth this year but which we believe will wash out as they annualize later in the year. However, Icon's shares also have been compressed due to the ongoing uncertainty created by the transition to a new US administration. Icon, a much more robust company with higher operating margins and a wider client base than in the past, is now trading on a 20-year low PE multiple of 10x (vs ~20x longer run average) and a FCF yield of 10%. While we need to look through headwinds in the immediate term, we continue to believe the shares will improve as policy becomes clearer and as near-term headwinds annualize.

Portfolio positioning

REGION AND SECTOR DIVERSIFICATION (AS OF JUNE 30, 2025)

Region diversification (%)				Sector diversification (%)			
Region	Class I	MSCI EAFE	Difference	Sector	Class I	MSCI EAFE	Difference
Western Europe	56.3%	65.1%	-8.8%	Information technology	26.7%	8.4%	18.3%
Japan	13.4%	21.7%	-8.2%	Industrials	24.0%	18.9%	5.1%
North America	13.4%	1.5%	11.9%	Consumer discretionary	10.1%	9.7%	0.4%
Asia Pacific (ex. Japan)	9.1%	10.6%	-1.5%	Financials	9.7%	23.7%	-14.0%
Cash / equivalents	4.8%	0.5%	4.3%	Health care	8.3%	11.2%	-2.9%
Central Asia	3.0%	-	3.0%	Materials	7.1%	5.6%	1.5%
Africa / Middle East	-	0.6%	-0.6%	Cash / equivalents	4.8%	0.5%	4.3%
				Consumer staples	4.4%	7.9%	-3.5%
				Communication services	3.5%	5.4%	-1.9%
				Energy	1.4%	3.2%	-1.7%
				Real estate	-	1.9%	-1.9%
				Utilities	-	3.5%	-3.5%

Tables may not add exactly to 100% due to rounding.

Country allocation reported by FactSet and may differ from what is provided by sub-advisors' accounting systems. Country & region classification by country & region of domicile. Holdings are subject to change.

Sources: FactSet, iShares MSCI EAFE ETF and BBH

Sub-advisors



Select Equity Group's (SEG) investment philosophy is grounded in the belief that rigorous, independent research and disciplined, long-term investing can generate attractive returns. SEG seeks to identify what it believes to be the highest-quality businesses – those with steady, predictable growth, high returns on capital and expanding barriers to competition. The sub-adviser believes these companies are both well-positioned for long-term growth and resilient in difficult economic environments.



The Trinity Street Asset Management (TSAM) investment philosophy centers around searching globally for companies undergoing structural change that is underappreciated by the broader market and where the TSAM investment team can see a path for a 50% return over the next 2-3 years. The team focuses their research efforts

exclusively on companies experiencing periods of change because they believe this is where disruptions to normal market pricing mechanisms (i.e., attractive risk/reward opportunities and significant discounts to intrinsic value) are most likely to be found. The change factor could be a change in management, product, geopolitical environment, or in industry supply/demand dynamics that is misunderstood or underappreciated by the market.

Disclosure

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

iShares MSCI EAFE ETF is an index that seeks to track the investment results of an index composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada. 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.

The BBH International Equity Fund is sub-advised by Select Equity Group and Trinity Street Asset Management.

Effective August 18, 2023, Trinity Street Asset Management LLP was added as a sub-adviser to the Fund responsible for managing a portion of the Fund's assets alongside Select Equity Group, L.P.

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