Brown Brothers Harriman

BBH Partner Fund – Small Cap Equity

Quarterly Fund Update / 2Q 2023

The BBH Partner Fund – Small Cap Equity ("Fund"), sub-advised by Bares Capital Management, Inc. ("Bares"), increased 3.74% in the second quarter of 2023 compared with a 5.21% gain in the Russell 2000 index over the same period. In the year-to-date period, the Fund increased 18.17% compared to a gain of 8.09% for the benchmark index. After the tumult of the first quarter, the second quarter was comparatively uneventful. Despite persistent inflation, slowing demand, and intensifying geopolitical conflict, we remain encouraged by the commercial progress of our carefully vetted portfolio companies. Bolstered by strong and sustainable competitive advantages; buoyed by high-return capital allocation activity; and skillfully guided by well-aligned management teams, we believe our holdings are positioned to compound business value at sustainably high rates over the long term.

Performance
As of June 30, 2023

	Total Returns		Average Annual Total Returns				
	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	3.74%	18.17%	15.61%	N/A	N/A	N/A	-13.37%
Benchmark	5.21%	8.09%	12.31%	N/A	N/A	N/A	-6.82%

Class I Inception: 7/8/2021

Class I: Total Expense Ratio (%): 0.92

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%.*

The Fund's benchmark is the Russell 2000 index.

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

Sources: BBH & Co. and Russell

Underlying this conviction is a constant and extensive effort to gain insight via our research process. Through this effort, we endeavor to find both supporting and disconfirming evidence, maintain variant perception in the understanding of our holdings, and raise the bar for qualitative exceptionalism in the small- and micro-cap investment universe with a rich pipeline of new company research. So far this year, we have evaluated several new companies and participated in dozens of calls, meetings, and tradeshows (where we have often found ourselves to be the only analysts in attendance). In many cases, the findings from this work lead us to assess and affirm our theses and hone our conviction in existing holdings. Occasionally, the market provides compelling opportunities to deploy capital in new positions, and as discussed below, the second quarter was productive on this front.

Performance Drivers

Our best-performing position during the quarter was **Astronics (ATRO),** with a share price gain of 48.7%. ATRO provides a portfolio of niche components and systems to the commercial aerospace markets. With a near-monopoly on in-seat power systems and strong positions in other categories such as in-flight entertainment and internet access, ATRO benefits from specification by original equipment manufacturers (OEMs) and airlines into long-lived aircraft and fleet programs. In recent years, the company has suffered from the temporary grounding of the Boeing 737 MAX, the COVID-19 pandemic, and manufacturing supply chain challenges. Still, with negligible risk of order cancelation, an unchanged competitive position, and more recently, a recovery in commercial air traffic, ATRO has been enjoying a resurgence in demand. With the support of a debt refinancing executed earlier this year and an improving supply chain, the company remains well positioned to drive revenue and profitability to pre-pandemic levels.

Looking beyond the resumption of positive trends in ATRO's business, the company stands to reap the benefits of significant defense program wins that will ramp in the coming years with the potential to add hundreds of millions in incremental annual revenue. ATRO has continued to augment growth with product innovation, such as the launch of a new in-seat power system late last year. This product supports USB Type-C cables that are increasingly prevalent, alongside other benefits such as seat weight reduction and improved power efficiency, enabling the company to win additional aftermarket business as airlines modernize and upgrade aircraft cabins to accommodate the latest consumer electronics. Just seven months after launch, ATRO has garnered commitments to install the system on over 1,000 aircraft.

More significantly, the company recently announced that it was selected by Airbus to provide passenger service units for the A220. While the A220 is a relatively small program, it represents a landmark win for ATRO, as it is the first time that ATRO has been selected to provide products to an entire Airbus program. Given that this was announced in concert with Airbus' A220 cabin refresh at the recent Paris Air Show, and the fact that Airbus owns ATRO's largest competitor (KID-Systeme, which is a small fraction of ATRO's size), this could presage further penetration into Airbus' other aircraft. Considering the ongoing recovery in ATRO's core product lines and significant new business development, we continue to believe that the company merits its position in the portfolio.

Top 10 Companies As of June 30, 2023	
XPEL Inc	14.5%
Alarm.com Holdings Inc	8.9%
Agilysys Inc	4.9%
Franklin Covey Co	4.5%
Cimpress PLC	4.3%
Onto Innovation Inc	4.2%
WideOpenWest Inc	4.1%
Despegar.com Corp	4.0%
Astronics Corp	4.0%
Element Solutions Inc	3.8%
Total	**57.1%**

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

Our second-best performing position, with a share price increase of 35.7%, was **Cimpress (CMPR).** CMPR provides customized printed products through several brands, among which Vista is the largest and best-known. Through extensive investments in technology and automation to build a "mass customization platform," CMPR has become a leader in product selection, cost, and convenience that smaller competitors struggle to match, allowing the company to take share in a large global market for customized products.

To be sure, CMPR has been laboring to correct self-inflicted operational challenges, navigate pandemic-induced demand pullback, and implement significant cost efficiency initiatives. The fruits of these labors started to materialize in late March when the company reported initial signs of a recovery in the Vista segment. By the time CMPR published official quarterly results in late April, this recovery had accelerated, with revenue, margins, and cash flows improving ahead of expectations. With a stabilization of gross margins driven by supply chain improvements and the emerging benefits of a second round of cost efficiencies, CMPR is poised to reattain previous highs for cash flow generation and deleverage its balance sheet. In a sign of its improving financial position, the company opportunistically repurchased a portion of its 7.0% Senior Notes due 2026 for 87-cents on the dollar. Our research indicates that CMPR is underappreciated given its prospects for growth and margin improvement in the years to come, and we continue to believe that the company remains a worthy holding.

Our worst-performing position during the second quarter was **PagerDuty (PD),** with a share price decline of 35.7%. PD is the leading provider of on-call management software used to quickly resolve information technology (IT) system issues by connecting application and infrastructure monitoring tools with human resource (HR) systems and communication channels to orchestrate incident notification and response by technical staff and other stakeholders. With a comprehensive feature set and an enviable reference base of "sticky" customers, the company has expanded its offerings through extensive research and development (R&D) investment and targeted acquisitions, enabling it to access adjacent use-cases and enhancing its ability to serve enterprise clients. As a result, PD has been able to compound revenue by nearly 30% over the last four years as of the most recently reported quarter.

That said, PD has not been immune to macroeconomic challenges as the technology sector undergoes well-publicized workforce reductions and austerity measures. The company began noting weakness among small- and mid-size business customers and slowing sales cycles at its enterprise clients last year, and these trends worsened incrementally in the most recent quarter, resulting in a downward revision to revenue guidance for the fiscal year and prompting a drawdown in the share price. These developments are not surprising within the broader macroeconomic context. However, in a testament to PD's mission-critical value proposition and strong competitive position, persistent growth in platform utilization and continued growth in annual recurring revenue (particularly among mid-market and enterprise customers) suggest that the company remains a valuable and well-positioned vendor. Setting aside the temporary demand headwinds, the ongoing prevalence of low-tech approaches to on-call management remains a substantial growth opportunity that PD can continue to harvest for years to come. With a significant net cash balance and sustained cash flow generation, the company is also financially well-positioned to manage through the current environment and remain on the offensive. Given these considerations, we believe PD is an attractive investment and have taken advantage of the recent share price decline to add to our position at what we consider to be compelling prices.

Our second-worst performing position, with a share price decrease of 20.8% during the quarter, was **Olo (OLO).** OLO is a provider of software products that facilitate online ordering, food delivery, and digital payments focused on the enterprise segment of the restaurant industry. These products become deeply embedded in the operations of OLO's customers and drive substantial portions of their businesses. With a large roster of blue-chip clients – including two-thirds of the top 100 restaurant brands by unit count – and the largest network of integration partners, the company is a clear leader in the space and faces relatively limited competition in the enterprise segment of the market. After enjoying a significant ramp up in revenue thanks to the acceleration of restaurant digitization catalyzed by the pandemic, the onset of input cost inflation and labor shortages in the restaurant industry introduced

headwinds to OLO's business. The resulting lower growth rates caused by longer sales cycles and delayed implementations have persisted since the back half of 2022.

Recent quarters for OLO have evinced stability but not dramatic improvement as restaurants continue to contend with consumer weakness, inflation, and labor challenges. Nevertheless, our research continues to suggest that the company's competitive position remains intact and that the restaurant industry's shift towards digitization remains a substantial opportunity. We continue to believe that OLO will be a much larger and more profitable business in the future, capable of delivering market-beating returns to shareholders.

Portfolio Activity

We continued to take advantage of market volatility in the second quarter of 2023. We trimmed from stronger relative performers such as **AGYS, ATRO, IRMD,** and **ONTO** and added to opportunities we deemed more compelling, such as **FC, SNEX, UPWK,** and **WOW.** More significantly, we (1) exited our position in **HSKA** following Mars' offer to acquire the company at $120 per share or a 23% premium to the unaffected share price and 88% above where the shares began the year and (2) established a new position in **SoundThinking (SSTI).**

SoundThinking is the leading provider of acoustic gunshot detection solutions to police departments and municipalities under the ShotSpotter brand. These systems detect and alert law enforcement to gunshots, allowing them to respond quickly to investigate and perhaps most importantly, find and treat gunshot victims. The company installs and maintains systems while earning a subscription revenue stream. In recent years, SSTI has expanded into complementary products that represent a growing proportion of the business – a dynamic that prompted the company to transition from its original ShotSpotter corporate name to its new SoundThinking brand.

SSTI is a vertical software provider serving the public sector, exhibiting desirable qualities such as a stable and long-lived customer base. While the company has more capital intensity than a typical software business due to its purchase and installation of system components on behalf of customers, this is offset by a negative working capital cycle from upfront billing. This dynamic, coupled with strong customer retention, recurring revenue, and high sales and marketing efficiency, allows SSTI to generate attractive economics on a relatively small base of revenue. The company faces limited direct competition in its core detection market and is gaining traction in adjacent markets for patrol routing, case management, and investigative tools. Finally, SSTI benefits from an "owner/operator" dynamic with CEO Ralph Clark, who has been at the company since 2010, owns 4% of shares outstanding, and has capably and prudently led the business during his tenure.

Considering the strength of SSTI's qualitative and quantitative profile, we believe we were served an opportunity to acquire shares at discounted prices following a sharp decline in the wake of Chicago's mayoral election results. Mayor Brandon Johnson campaigned on a progressive platform that included calling for the cancelation of the city's ShotSpotter contract as a campaign issue. His election was likely viewed as a harbinger for the end of SSTI's contract with Chicago, which would result in the loss of the company's second-largest customer representing around 10% of 2022 revenue. Compounding this pessimism was the recently announced delay in SSTI's contract renewal with Puerto Rico, a territory that has long been plagued by financial difficulty and has lapsed and returned as a customer in the past. Our research indicates that the market's reaction to these developments is overblown.

While the potential loss of two sizable customers is never auspicious, we believe that these are exceptional cases and less material to the company's long-term prospects than a roughly 40% peak-to-trough share price drawdown this year would suggest. Our own work reviewing public contracts and speaking with customer stakeholders suggests that SSTI's products are well-liked by users and decision-makers. A retention rate in the high 90s demonstrates that SSTI's customers highly value the company's solutions, and a steady stream of new contract announcements adds to the positive trend.

Following his inauguration, Mayor Brandon Johnson authorized payment – a $10 million remittance equal to just 0.5% of the annual Chicago Police Department budget – for a ShotSpotter extension that previous Mayor Lori Lightfoot approved through February 2024, which signals that his campaign promise to cancel ShotSpotter might be a lower and more difficult priority than other matters now. With a share price in the low-$20s and expectations for the company to grow revenue and operating income at double-digit rates in the years ahead, we view SSTI as a worthwhile investment.

Closing Comments

An eventful first half of 2023 closed with signs of ebullient market sentiment in apparent contrast to ongoing macroeconomic challenges. Whatever the factors in a given period's uncertainty, we remain confident that our holdings possess sustainable competitive advantages, substantial growth prospects, and talented management teams that should sustain them through shifting business environments over the long term. Even so, we are constantly searching for new evidence and insight that inform our investment theses and improve our standard for qualitative exceptionalism in the small- and micro-cap investment universe.

Success in this endeavor demands long hours in the office and on the road. In this work, we are inspired by the patience and discipline of our clients, and we are grateful for their long-term partnership.

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.

Brown Brothers Harriman & Co. ("BBH"), a New York limited partnership, was founded in 1818 and provides investment advice to registered mutual funds through a separately identifiable department (the "SID"). The SID is registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940.

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