BBH Partner Fund – Small Cap Equity

Quarterly Fund Update / 2Q 2024

The BBH Partner Fund – Small Cap Equity ("Fund") declined -1.56% in the second quarter of 2024 compared with a -3.28% decrease in the Russell 2000 index. In the year-to-date period, the Fund declined -1.30% compared to an increase of 1.73% for the benchmark index. Despite a brief wobble in the U.S. equity markets early in the quarter, "mega-cap" technology stocks resumed their run and powered gains in large-cap equity indices. Small-cap equity indices saw underwhelming performance by contrast, and the historic divergence between large-cap and small-cap valuations persisted. We agree with astute observers that, in aggregate, small-cap equities warrant a discount to large-cap equities, which comprise relatively more scaled, proven, and advantaged businesses. Nevertheless, pockets of opportunity exist where individual small-cap companies exhibit quality converging with that of large-cap comparables while bearing valuation discounts that have widened to extreme degrees.

Performance
As of June 30, 2024

	Total Returns		Average Annual Total Returns				
	3 Mo.	**YTD**	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**	**Since Inception**
Class I	-1.56%	-1.30%	1.20%	N/A	N/A	N/A	-8.73%
Benchmark	-3.28%	1.73%	10.06%	N/A	N/A	N/A	-1.46%

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

We seek to identify and evaluate qualitatively exceptional companies that are priced by the market as otherwise. This search is motivated by our belief that ownership of underpriced, competitively advantaged businesses capable of compounding capital at persistently high rates will deliver the outsized returns we seek. Our portfolio reflects this approach. Our holdings continue to execute well across variable end-market conditions to drive fundamental value creation that manifests in sustainable cash flow growth, and eventually, our expectation of above-average shareholder returns. To us, the discounts that persist in the small-cap segment of U.S. equities present a compelling opportunity to own selected outstanding businesses at highly attractive prices. In time, we expect these conditions to benefit patient investors as compounding of intrinsic values inevitably translates to higher market values.

Performance Drivers

Our best-performing position during the quarter was **WideOpenWest (WOW)**, with a share price gain of 49.4%. WOW is an "overbuilder" focused on developing new broadband infrastructure to compete with incumbent providers in the Midwest and South regions of the U.S. Since the transformational sales of two collections of service areas in 2021, WOW has self-financed expansion into new markets with attractive prospects for growth.

After a few quarters of disappointing results left WOW trading at a substantially discounted price relative to the value of its assets, the company received an opportunistic, unsolicited proposal at the beginning of May from a group of investors led by its largest shareholder and private equity sponsor, Crestview Partners, to purchase WOW for $4.80 per share. While the proposal price was over 30% higher than the previous day's closing price, we believed that it represented an inadequate bid for a company experiencing what we judge to be temporary and waning headwinds. WOW's first quarter results corroborated the notion that subscriber churn is abating and supported our view that the company is on a path to stabilizing and growing its subscription revenue. We have expressed our views on the inadequacy of the takeover offer in a private letter to the special board committee formed to evaluate the non-binding bid. Others have come out publicly to advocate for a thorough strategic review process, presumably intended to draw higher bids from potential acquirers. Given these circumstances, it is no surprise to us that WOW's share price is trading at a level just above the proposal price. We maintain that the company remains materially undervalued – particularly considering improving subscriber trends and financial results – and we remain owners at these prices.

Top 10 Companies As of June 30, 2024	
Alarm.com Holdings Inc	10.7%
XPEL Inc	7.2%
Triumph Financial Inc	6.0%
Zuora Inc	5.7%
Astronics Corp	5.2%
Franklin Covey Co	5.1%
WideOpenWest Inc	5.0%
Element Solutions Inc	5.0%
Agilysys Inc	4.9%
Upwork Inc	4.5%
Total	**59.4%**

Reported as a percentage of total portfolio.
Holdings are subject to change.
Totals may not sum due to rounding.

Our second-best performing position during the quarter was **Agilysys (AGYS)**, with a share price gain of 23.6%. AGYS is a leading provider of vertically focused software to the hospitality industry, including casinos, hotels, resorts, cruise ships, and managed foodservice providers. The company offers a portfolio of applications spanning point-of-sale (POS), property management systems (PMS), and inventory and procurement, among others. AGYS is unique in providing a broad array of cloud-based, integrated, best-of-breed solutions to the enterprise segment of the market as a proven vendor, equipping the company to take share in a large market from outdated, legacy incumbents.

Since announcing a landmark win with Marriott to supply PMS software to the hotel chain's U.S. and Canada properties in 2022, AGYS has continued to experience strong demand for its refreshed and expanded slate of PMS and POS software products. Improving sales execution and implementation efficiency is translating into favorable trends in bookings, backlog, revenue, and profitability. Even so, awareness and adoption of AGYS's products remains nascent as many of these solutions were refreshed over the last two years. Winning Marriott as a customer for PMS is a testament to the quality of AGYS's offerings, and the company recently won approval to sell its golf course management software and, more importantly, its portfolio of POS products to Marriott properties. Our recent trek to HITEC, the largest hospitality technology tradeshow, added support to the notion that AGYS is increasingly being recognized for the modernity and breadth of its product portfolio. We believe that the company is poised to sustain elevated software revenue growth and, in turn, strong cash flow growth. While we have trimmed our position in AGYS as it has emerged as one of our best-performing holdings, we continue to believe that the company continues to warrant a place in the portfolio.

Our worst performing position during the quarter was **XPEL (XPEL)**, with a share price decline of 34.2%. As a reminder, XPEL provides automotive paint protection film (PPF) and related products through a network of captive third-party installers and some company-owned locations. The company sells proprietary film under exclusive agreements to installers, who benefit from the supply of reliable, high-quality materials; industry-leading vehicle pattern software; extensive operational and marketing support; and dominant brand recognition. These advantages enable superior economics for installers and a differentiated position for XPEL that has allowed it to take share from industry incumbents while driving market expansion for PPF. The company is applying this playbook to large, adjacent markets such as window film, which exhibit similar competitive dynamics and opportunities for market share gains.

During the quarter, XPEL reported a greater-than-expected slowdown in growth that spurred a significant decrease in revenue guidance for the year. The largest factor was a shortfall in revenue from China. That said, China has historically been a volatile market for XPEL given the difficult-to-predict ordering patterns of XPEL's distributor there. A secondary factor was a slowdown in North American aftermarket sales driven by general consumer spending weakness and an unusual delay in shipments of Volkswagen Group vehicles, which tend to be popular vehicles for PPF, to U.S. dealers due to supply chain issues. In combination, these developments sparked a sharp share price drawdown on fears that XPEL's growth story was at an end.

Through its history, XPEL has experienced and managed periodic declines in various geographic markets. While questions about long-term growth must be taken seriously, the conditions that underpin XPEL's growth potential remain in place. Nothing structural seems to have changed in the span of three months to disrupt long-term expansion of PPF attachment and usage or to prevent XPEL from winning an outsized share thereof. Without any indication that such a change has occurred, the more likely explanation seems to be the unwelcome but manageable notion of cyclicality. While we expect XPEL to experience slower growth this year, we also assess that the company's long-term potential has not diminished. The drawdown has brought XPEL shares to a compelling price relative to our conservative estimate of intrinsic value.[1] While we would prefer to have purchased our initial stake at these levels, we continue to believe that XPEL is a high-quality business with a substantial runway for shareholder value creation.

Our second-worst performing position during the quarter was **SoundThinking (SSTI)**, with a share price decline of 23.3%. SSTI is the leading provider of acoustic gunshot detection solutions and offers a portfolio of related software products to the public safety market. By virtue of its vertical market focus, SSTI benefits from strong customer retention, resilient recurring revenue, and high sales and marketing efficiency across its product portfolio, resulting in an attractive and increasingly profitable business model.

SSTI continues to be the subject of public controversy. In the most high-profile example, contentious renewal talks with the Chicago mayor's office resulted in an extension of the city's ShotSpotter contract through fall of this year. Apparently dissatisfied by the decision-making process, the Chicago

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

City Council passed an ordinance to shift renewal authority for the ShotSpotter system from the mayor to the alders in an unprecedented move. In another example, Boston's ShotSpotter renewal was challenged by community activists with support from Senators Ed Markey and Elizabeth Warren. Local advocates, including the mayor and police chief, ultimately navigated a successful renewal and expansion of Boston's contract. The New York City Comptroller's office has fixated on ShotSpotter as a political "football" despite vocal support from the New York Police Department and mayor. Throughout these controversies, commercial activity at SSTI has remained steady with growth across the company's lines of business. Over time, this should result in substantial expansion of cash flow as the company's sources of high-margin recurring revenue achieve scale and drive operating leverage on the technology investments of recent years.

Portfolio Activity

During the quarter, we completed the exit of our small position in **Health Catalyst (HCAT)** that we discussed in our last letter. In addition, Vista Equity Partners completed its take-private of **Model N (MODN)**. We have been shareholders of MODN since strategy inception nearly three years ago, and the acquisition caps off a profitable ownership period. While we did not establish any new positions during the quarter, we were active in monitoring and managing existing position sizes. We trimmed from stronger relative performers such as CMPR, DESP, and ONTO and added to attractively priced holdings such as TDUP, UPWK, and ZUO.

Closing Comments

The historic valuation gap between large-cap and small-cap stocks, combined with our growing pipeline of qualitatively exceptional, discounted businesses, continues to indicate a compelling investment opportunity in our view. To us, the long-term ownership of competitively advantaged businesses with talented management teams and compounding earnings growth is a recipe for category-leading returns. We exercise our research process and orient our portfolio with these tenets in mind, and we are encouraged by the fundamental progress of our holdings and the actionable opportunities that the market environment is presenting. It is our privilege and delight to pursue these endeavors on behalf of our clients, and we are grateful for their trust and confidence.

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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