BBH Partner Fund – Small Cap Equity

Quarterly Fund Update / 3Q 2023

The BBH Partner Fund – Small Cap Equity ("Fund"), sub-advised by Bares Capital Management, Inc. ("Bares"), declined -0.67% in the third quarter of 2023 compared with a -5.13 % decline in the Russell 2000 index. In the year-to-date period, the Fund increased 17.38% compared with a 2.54% increase for the benchmark index. This performance through the third quarter put the Fund in the top 2% of small-cap growth funds according to Morningstar. We believe that our year-to-date returns are not only reflective of the strength of individual security selection in the Fund but also the negative sentiment that pervades the category, with mid-cap, small-cap, and micro-cap stocks trading at multi-decade low multiples of earnings when compared to large-cap and mega-cap stocks.

War, inflation, interest rates, and the specter of recession continue to weigh heavily on the minds of market participants and the narratives of pundits. We maintain our conviction that the most reliable way to compound wealth through such periods and beyond is via the ownership of qualitatively exceptional companies capable of growing business value at high rates for long periods of time. Current economic perils notwithstanding, we continued to observe fundamental value creation throughout our portfolio during the third quarter.

Performance
As of September 30, 2023

	Total Returns		Average Annual Total Returns				
	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	-0.67%	17.38%	19.65%	N/A	N/A	N/A	-12.22%
Benchmark	-5.13%	2.54%	8.93%	N/A	N/A	N/A	-8.26%

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

Finding investable companies, buying their securities at a discount, and holding on to portfolio positions for long periods of time is no small feat. We spend most of our waking hours and energy on the hunt for excellent businesses and differentiated investment insight. Ongoing market volatility is surfacing more opportunities in the small- and micro-cap universe where advantaged companies are compounding value that is not reflected in share prices. We believe this has created the most favorable investing environment we have seen in many years. To this end, we added another new position during the quarter that we will introduce below.

Performance Drivers

Our best-performing position during the quarter was **thredUP (TDUP),** with a share price gain of 64.3%. As a reminder, TDUP operates an online marketplace for the consignment and resale of pre-owned women's and children's clothing and accessories. TDUP receives items from sellers, processes them, posts them to its marketplace, and fulfills orders for them in exchange for a commission. By operating as a managed marketplace and by focusing on the value segment of resale, the company benefits from scale-based and process-driven barriers to entry that allow it to drive convenience and cost advantages for individual buyers and sellers. TDUP's infrastructure also positions it to provide outsourced resale services to retailers and brands, thereby enhancing the company's product assortment, driving incremental volume, and generating additional service fees.

Since headlining as our best-performing position in the first quarter of 2023, TDUP has persisted successfully in its efforts to stabilize its business in the context of a challenging consumer demand environment. The company bucked the trend of the broader industry in its second quarter report, sustaining a return to gross profit growth alongside lower operating expenses and cash outflows courtesy of cost reduction efforts and the completion of its Dallas processing and distribution center. Our research indicates that TDUP should have ample liquidity to weather difficult conditions and remains on a trajectory of growth, profitability, and cash generation. We continue to believe that the market is valuing the company's shares with an overly pessimistic outlook.

Top 10 Companies As of September 30, 2023	
XPEL Inc	13.7%
Alarm.com Holdings Inc	10.8%
Cimpress PLC	5.2%
Agilysys Inc	4.9%
Franklin Covey Co	4.6%
WideOpenWest Inc	4.5%
Upwork Inc	4.4%
Despegar.com Corp	4.3%
StoneX Group Inc	4.0%
PagerDuty Inc	4.0%
Total	**60.3%**

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

Our second-best performing position was **Upwork (UPWK)** with a share price gain of 21.6% during the quarter. As a reminder, UPWK operates the largest online, global marketplace for freelance labor. Formed in 2014 through the merger of two leading freelancer marketplaces, oDesk and Elance, UPWK grew to facilitate over $4 billion of gross services volume (GSV) for over 800,000 clients in 2022. Businesses use UPWK's marketplace to find qualified freelancers quickly and efficiently for a wide variety of tasks, providing cost savings and greater flexibility in staffing and managing their projects. Freelancers use UPWK to post their availability, advertise their skills, and win new jobs. The company supplements its role as an intermediary with solutions that enable participants to manage their administrative workflows. As the largest freelancing marketplace by far, UPWK benefits from network effects that enhance its value proposition to clients and freelancers, respectively, through a greater supply of qualified labor and a greater number of work opportunities. In addition, UPWK's focus on larger clients means it often becomes embedded in corporate contingent labor processes, which necessitate a trusted marketplace partner to manage the associated regulatory requirements. By virtue of its scale and reputation, UPWK is well-positioned, particularly among large enterprises where ample opportunity remains to drive market share capture from traditional staffing agencies.

Following a brief period of dramatic expansion during the pandemic thanks to elevated demand for remote work and supplemental labor, UPWK has reported decelerating revenue growth. In addition, UPWK has experienced business disruption from the Russo-Ukrainian War, as many of its freelancers hailed from affected regions. More recently, a slowing economy and the implementation of cost controls at many companies have dampened the professional services markets that UPWK specializes in. These headwinds notwithstanding, UPWK's competitive position and long-term opportunity remain unchanged as evidenced by the company's stable gross sales value (GSV), which stands in contrast to the declines experienced by many traditional staffing services. In parallel, UPWK has reined in costs, improved cash flow, and upgraded its executive ranks with a new CFO and a new GM of Enterprise. Our research indicates these actions will help to optimize product development and enterprise sales initiatives with positive implications for operating leverage and profitability. Despite the recent share price increase, we continue to believe the stock remains attractively priced for an enterprise that should be much larger and more profitable in a few years' time.

Our worst-performing position during the quarter was **Model N (MODN),** with a share price decline of 31.0%. MODN is a leading provider of revenue management software to companies in the life sciences and high-tech industries. MODN's software solutions allow its customers to streamline and manage mission-critical processes, providing the company with the benefit of significant switching costs. As the clear industry leader in its category, MODN is well-positioned to continue driving adoption of core and ancillary products while pursuing an on-premises to software-as-a-service (SaaS) transition that should enhance revenue and profit growth in years to come.

MODN's most recent quarterly report showed a continued slowdown in the context of a more challenging economic environment. That said, ongoing growth in annual recurring revenue and improving profitability represented respectable absolute progress as the company continues to navigate its transition to a SaaS business model. MODN's products remain mission-critical, with many industry experts vouching for the company's entrenchment as the category leader in revenue management, with meaningful prospects for the cross-sale of incremental products. With these ingredients for long-term value creation intact, we believe MODN continues to warrant a position in the portfolio.

Our second-worst performing position was **Zuora (ZUO)** with a share price decline of 24.9% during the quarter. ZUO provides cloud-based software that automates subscription billing and revenue recognition processes. These processes are critical and often complex components of subscription-based operations, affording ZUO competitive advantages based on substantial switching costs and customer preference for proven, trusted vendors. The company leverages these advantages and its reputation as a technology leader to win market share within a sizable specialty software category.

ZUO is exiting a period of extensive product development and go-to-market investments that have enhanced its position in the marketplace. At the same time, the company is experiencing a slowdown in the broader technology industry that is elongating sales cycles. Despite a challenging selling environment, ZUO continues to report double-digit subscription revenue growth and strong retention rates while making progress towards profitability and cash flow generation. These trends, further confirmed by our ongoing research, signal that ZUO maintains its status as the leading provider within a critical and growing product category.

Portfolio Activity

During the third quarter, we opportunistically rebalanced from stronger relative performers to more compellingly valued opportunities among our existing holdings. We also established a new position in **Triumph Financial (TFIN)** that we began building at the end of the second quarter.

TFIN is a financial services and technology company with operations consisting of 63 community bank branches in six states; a leading trucking invoice factoring business; and a nascent payments network for the trucking industry. TFIN has married a well-run bank with a proven history of risk management to an exceptional specialty lending opportunity in factoring. Trucking invoice factoring solves a critical working capital issue for carriers (i.e., truck drivers) wherein a factor purchases an invoice from a carrier, providing the carrier with immediate cash at a modest discount upfront in return for the right to collect full payment later from a shipper. These shippers are often large, creditworthy corporations (e.g., Home Depot) with minimal collection and credit risk. As the only meaningful trucking factor tied to a bank, TFIN benefits from a structurally low cost of funds derived from its stable deposit base, allowing it to capture excess profits in high-yielding and relatively low-risk invoice factoring opportunities.

TFIN's advantaged model and disciplined execution have propelled it to a position as the second-largest trucking factor in the U.S. with about $15 billion of purchased invoices in 2022. TFIN also consistently reports industry-leading metrics as a bank, including strong returns on equity with minimal balance sheet expansion. These results reflect the adept management and astute capital allocation of CEO Aaron Graft and a corps of highly qualified executives. Given that the U.S. truckload market is estimated to be over $850 billion in size with approximately half of volumes transported by third-party carriers – including a growing proportion of brokered freight – TFIN's "specialty" lending opportunity is, in fact, very large.

We believe that the banking and factoring businesses alone are enough to justify a potential investment in TFIN. Adding to the potential for future value creation, the company also includes a compelling "embedded call option" in the form of a purpose-built payments network for the trucking industry. Dubbed TriumphPay, the network is designed to create value for industry participants through processing efficiency, improved revenue capture, and fraud reduction. In exchange, TFIN stands to earn a small toll on a large dollar volume of transactions. For now, this remains an admittedly lossmaking and subscale endeavor. The tremendous potential of the offering seems to be vindicated by the fact that many of the top trucking brokers – representing an outsized share of the brokered freight market – have signed on. In addition, annualized payment volume on the network, which stood at roughly $20 billion as of the second quarter, and transaction-based revenue for the TriumphPay segment continue to grow rapidly as the service gains critical mass and progresses toward financial breakeven.

We believe that the market is pricing the community banking and factoring businesses at a discount, with minimal value assigned to the payments network. When coupled with the presence of an outstanding management team and an outsized, underappreciated growth opportunity, we believe TFIN shares represent attractive asymmetric upside. We look forward to providing further updates on TFIN in future quarters.

Closing Comments

In periods racked with anxiety and punctuated by tragedy, the market tends to offer little respite for investors with short-term orientations and weak convictions. We navigate through these times as we always have – by owning the best companies we can find. As a function of superior business models, advantaged competitive positions, growth opportunities, and talented, well-aligned management teams, our carefully vetted holdings are driving intrinsic value[1] creation that should be recognized in long-term share price appreciation. Far from idling, we remain vigilant in our research and analysis to keep accountable to our goal of owning qualitatively exceptional businesses at attractive prices.

In recent quarters, our intensive work has been imbued with greater verve given the individual opportunities we see in the context of historic, broad-based undervaluation of small- and micro- cap equities. We remain profoundly thankful for the patience, support, and discipline of our clients and the privilege of their long-term partnership in this challenging endeavor.

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

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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