

CAPITAL PARTNERS

BBH Select Series - Large Cap Fund

Quarterly Update | 2Q 2025

Highlights

- During the second quarter of 2025, most portfolio companies in the BBH Select Series – Large Cap Fund (the Fund) reported first quarter 2025 results and provided near- and longer-term guidance.
- Overall results were mixed, with strong growth in earnings contrasting with downward revisions to expectations. The financial results of the portfolio companies in the Fund were strong on an absolute basis and compared favorably to the benchmark S&P 500 Index (the Index).
- We would characterize forward guidance by the portfolio companies in the Fund as cautious near term and highly confident medium to longer term.
- The absolute stock price-driven total returns of the Fund have been solid, in line with expected economic profit growth and current income generation levels we model at normalized levels. On a total return basis, the Fund increased 7.99%. The Index increased 10.94% and reached near all-time highs.
- U.S. policy remains the key source of volatility but after the initial shock of Liberation Day tariff announcements, the Index continued higher in the absence of meaningful downward revisions to hard data. While tariff and policy uncertainties continue to be headwinds, we initiated positions in a handful of companies whose fundamental characteristics are attractive on both an absolute and relative basis, operate in industry structures that remain intact, and where valuations were compelling.
- We remain pleased with the year-to-date fundamental performance of our portfolio, continuing trends we have seen for some time. Fundamental performance driving economic value creation remains very favorable for the Fund on an absolute basis and relative to the Index, as does relative valuation, against a backdrop of very full absolute valuation level.

Market Overview

We entered calendar year 2025 with a high degree of caution. The S&P 500 had just come off its second consecutive year of approximate 25% returns while earnings and free cash flow per share growth were essentially flat over the two-year period. Valuations were full and expectations for earnings growth were high, both on an absolute basis and relative to near and longer-term history, while internal market structure was undergoing a period of dramatic change.

With the first quarter of 2025 experiencing a decline of almost 5% and the threat of widespread tariffs beginning to dampen the growth outlook, the second quarter saw the Index increase almost 11%. This was driven, in part, by momentum cohorts within the Index and the Trump administration responding to market volatility by softening its

trade policy. With renewed investor confidence and a strong first quarter earnings report, most sectors reported positive returns, with the market being led by information technology (+23.7%), communication services (+18.5%), industrials (+13.0%), and consumer discretionary (+11.5%). These sectors benefited from a renewed appetite for mega-tech stocks, and robust economic data.

On the flipside, the worst-performing sectors were energy (-8.6%) and healthcare (-7.2%). After a brief rebound in the first quarter of this year, the healthcare sector underperformed in the second quarter due to rising uncertainty around the potential effects of U.S. policy and regulatory changes to growth rates, as well as pressures from the Trump administration to lower drug prices in the U.S.

Portfolio Commentary

As we commented in our last update, the financial results of our portfolio companies were strong, with our recipe for economic value creation – reported returns on invested capital (+19%) plus implied free cash flow per share growth (+5%) – attractive on both an absolute and relative basis. To that end, our portfolio companies have executed well and have produced solid growth and fundamental economic performance while maintaining appropriately conservative capital structures. These achievements are evident at the aggregate portfolio level, where we have observed attractive growth in revenue, cash flow, and earnings, superior profit margins, returns on capital, and healthy balance sheets.

For the quarter, the Fund's largest detractor to total return was **UnitedHealth Group** (UNH).

UNH returned (-47.6%) for the quarter, which represented a 92 basis point (bp)¹ detraction from the Fund's total return. This was driven by news outlets reporting that UNH was under criminal investigation by the Department of Justice (DOJ) for Medicare fraud related to its Medicare Advantage (MA) billing practices. While UNH denies receiving notice of a criminal probe from the DOJ and stands by the integrity of its MA program, we would note that the DOJ has no obligation to disclose notice of a criminal investigation and did not comment on the report. This follows a string of company-specific disappointments and missteps in the recent past, leaving us with several outstanding questions. Given this potentially material risk that is outside of management's control, the limited visibility, the lack of details, and the likelihood of this being an overhang over the stock for some time, we concluded that the risk-reward was no longer favorable and exited the position.

For the quarter, the Fund's largest contributor to total return was **Oracle** (ORCL).

ORCL returned (+56.9%) for the quarter, which represented a 276 bp contribution to the Fund's total return. ORCL continues to be one of the main beneficiaries of companies shifting spending toward artificial intelligence (AI) and cloud infrastructure, while at the same time deprioritizing software applications. Potential tailwinds for growth include the company's \$500 billion Stargate AI venture with SoftBank and OpenAI focused on building AI infrastructure in the U.S., as well as growing demand for their cloud infrastructure offering, or OCI (at the company's fiscal Q4 earnings announcement in June, they reported that cloud infrastructure revenue is expected to grow 70% in fiscal year 2026).

Over any period, stock prices reflect the confluence of many factors as well as the perspectives of myriad other investors, both active and passive, that do not share our perspectives on risk, fundamental economic value creation, or how to properly measure it. Regardless of these other views, over the long term, we believe that it is a reasonable and an economically sound premise that the price of stocks should follow their growth in free cash flow per share and that attractive valuations support economic upside and mitigate risk. Consequently, that will remain our focus as we seek to deliver both strong absolute and relative after-tax returns over the long term.

¹ Basis point (bp) is a unit that is equal to 1/100th of 1% and is used to denote the change in price or yield of a financial instrument.

While this work will continue and is a constant focus of our analytical and portfolio management activities, we expect it to slow in the near-term given the sharp recovery in market prices and still-elevated levels of policy-induced risk. While we remain focused on finding new investments that meet our investment criteria and are attractively valued, we do so in the context of a market environment we view as challenged, with risks evident on many fronts.

Portfolio Activity

As mentioned earlier, we exited our position in **UnitedHealth Group** (UNH).

During the period of recent market volatility and uncertainty, we have been acting with an aim to improve an already high-quality portfolio to one possessing higher expected levels of economic profit growth and better valuation support. Specifically, we have and will continue to trim and sell portfolio companies when valuations increase to levels we believe to be in excess of the range of reasonable economic outcomes implied by current stock prices. Conversely, we may add new portfolio companies that meet our investment criteria and may add to existing portfolio company positions when valuations are at levels we believe to be attractive in light of the range of reasonable economic outcomes implied by current stock prices.

To that end, we were able to initiate positions in five high-quality companies: **Apple, Nvidia, Analog Devices, Walmart, Coca-Cola, and McDonald's**.

During the quarter, we made several portfolio rebalancing trades reflective of relative valuation opportunities, risk, and fit with our investment criteria. Turnover during the quarter was ~10.8%, which still high relative to recent activity, representing the opportunity with pockets of valuation support.

We trimmed positions in **Linde, Waste Management, Costco, Texas Instruments, Berkshire Hathaway, Alphabet, and Alcon** based on strength in perfor-

HOLDINGS (AS OF JUNE 30, 2025)

Holding	Sector	Weight (%)
Microsoft Corp	Information technology	7.34
Oracle Corp	Information technology	7.10
KLA Corp	Information technology	6.09
Mastercard Inc	Financials	5.91
Alphabet Inc (Class C)	Communication services	5.58
Berkshire Hathaway Inc (Class A)	Financials	5.13
Amazon.com Inc	Consumer discretionary	4.71
Waste Management Inc	Industrials	3.93
Booking Holdings Inc	Consumer discretionary	3.90
Arthur J Gallagher & Co	Financials	3.79
Linde PLC	Materials	3.78
S&P Global Inc	Financials	3.08
Progressive Corp	Financials	2.95
Apple Inc	Information technology	2.95
Abbott Laboratories	Health care	2.71
Zoetis Inc	Health care	2.57
Automatic Data Processing Inc	Industrials	2.45
Applied Materials Inc	Information technology	2.38
Adobe Inc	Information technology	2.38
Alcon Inc	Health care	2.22
Thermo Fisher Scientific Inc	Health care	2.18
Costco Wholesale Corp	Consumer staples	1.95
Texas Instruments Inc	Information technology	1.79
Cadence Design Systems Inc	Information technology	1.77
NIKE Inc (Class B)	Consumer discretionary	1.68
Otis Worldwide Corp	Industrials	1.51
Eli Lilly & Co	Health care	1.51
NVIDIA Corp	Information technology	1.41
Walmart Inc	Consumer staples	1.23
Procter & Gamble Co	Consumer staples	1.09
McDonald's Corp	Consumer discretionary	0.99
Analog Devices Inc	Information technology	0.61
Coca-Cola Co	Consumer staples	0.48
Cash and cash equivalents		0.46
Novo Nordisk A/S ADR	Health care	0.40

Holdings are subject to change.

mance and to manage overall portfolio balance and weightings. We deployed these proceeds into the above-mentioned purchases, as well as added to names that we still have a high degree of conviction in, and where we felt like the share price performance provided valuation support. These included **Otis, Automatic Data Processing, Applied Materials,** and **Eli Lilly.**

Outlook

At the end of the second quarter of 2025, we held positions in 34 companies, with the ten largest holdings accounting for 53% of total assets. The Fund was trading at ~98% of our underlying base estimate of intrinsic value, which compares to ~120% for the Index. We ended the quarter with a cash position of 0.5%.

In our view, today's market environment warrants caution and, after making opportunistic adjustments, we remain focused on finding new investments and rebalancing existing portfolio companies in the context of a market environment we view as challenged.

Specifically, with a backdrop of decelerating economic growth, extreme policy uncertainty and geopolitical risk, and still-high market expectations relative to history, we remain focused and committed to investing in companies that meet our qualitative criteria, have the fundamental financial characteristics in place that allow for durability in times of economic and market stress, and offer valuation support.

To conclude, our portfolio companies have executed well and produced solid growth and fundamental economic performance while maintaining appropriately conservative capital structures. Given the near- and longer-term outlooks provided by the companies in the Fund, we are optimistic that these strong trends will continue and that the differentiated financial attributes will be better recognized by other investors in the future, improving the stock price performance of the Fund relative to the Index over time.

Thank you for your interest in the BBH Select Series – Large Cap Fund. Please reach out if you have any questions.

BBH Large Cap Equity Team

Hayley Xuereb, Chris Stonerook, Anurag Dhanwantri, Eric Yeh, Mark Weber, Rohit Mitter, and Scott Hill

PERFORMANCE (AS OF JUNE 30, 2025)

	Total returns		Average annual total returns			
	3 mo.	YTD	1 yr.	3 yr.	5 yr.	Since inception
Class I	7.99%	8.55%	11.80%	16.54%	13.84%	11.08%
Benchmark	10.94%	6.20%	15.16%	19.71%	16.64%	15.28%

Class I inception date: 09/09/2019

Class I net/gross expense ratio (%) 0.71 / 0.71

Returns of less than one year are not annualized.

Brown Brothers Harriman & Co., through a separately identifiable department ("Investment Advisor") has contractually agreed to limit the Total Annual Fund Operating Expenses of the BBH Select Series Large Cap Fund to 0.80% through March 1, 2026. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund's Board of Trustees. Funds redeemed within 30 days of purchase are subject to a redemption fee of 2%

Performance data quotes 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 redeemed, may be worth more or less than the original cost. For performance current to the most recent month-end please call 1-800-625-5759. Shares redeemed within 30 days of purchase are subject to a redemption fee of 2%.

The S&P 500 is an unmanaged weighted index of 500 stocks providing a broad indicator of stock price movements. The composition of the index is materially different than the Fund's holdings. The index is not available for direct investment.

Sources: BBH & Co. and S&P

SHARE CLASS OVERVIEW (AS OF JUNE 30, 2025)

	Ticker	Inception date	Total net assets (mil)	NAV	Upside / Downside capture
Class I	BBLIX	09/09/2019	\$496.9	\$16.76	91.7% / 101.3%

Equity weighting As of June 30, 2025

Common stock	99.5%
Cash and cash equivalents	0.5%
Other assets in excess of liabilities	0.0%
Total	100.0%

Fund facts As of June 30, 2025

Number of securities held	34
Price / Intrinsic Value (P/IV)	97.9%
Average market cap (bil)	\$781.68
Turnover (rolling 12-months)	19.2%

Excludes cash equivalents.

Sector weighting As of June 30, 2025

Communication Services	5.6%
Consumer Discretionary	11.3%
Consumer Staples	4.8%
Energy	0.0%
Financials	21.0%
Health Care	11.6%
Industrials	7.9%
Information Technology	34.0%
Materials	3.8%
Real Estate	0.0%
Utilities	0.0%
Total	100.0%

Reported as a percentage of fund securities, excluding cash and cash equivalents.

Top ten companies As of June 30, 2025

Microsoft Corp	7.3%
Oracle Corp	7.1%
KLA Corp	6.1%
Mastercard Inc	5.9%
Alphabet Inc	5.6%
Berkshire Hathaway Inc	5.1%
Amazon.com Inc	4.7%
Waste Management Inc	3.9%
Booking Holdings Inc	3.9%
Arthur J Gallagher & Co	3.8%
Total	53.5%

Reported as a percentage of total holdings.

Holdings are subject to change. Totals may not sum due to rounding.

Price to Intrinsic Value is defined as the weighted average market value of the portfolio securities as a percentage of what BBH estimates to be the present value of the cash that the portfolio's businesses can generate and distribute to shareholders over the businesses' remaining life.

Turnover ratio is the rate of trading in a portfolio; higher values imply more frequent trading.

Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support its operations and maintain its capital assets.

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.

Purchase and sale information provided should not be considered as a recommendation to purchase or sell a particular security and that there is no assurance, as of the date of publication, that the securities purchased remain in a fund's portfolio or that securities sold have not been repurchased.

RISKS

Investors in the Fund should be able to withstand short-term fluctuations in the equity markets and fixed income 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.

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

Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in IPOs may be highly volatile or may decline shortly after the IPO. Asset allocation decisions by a large investor or an investment adviser, particularly large redemptions, 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.

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