BBH Core Select Fund

Quarterly Fund Update / 3Q 2018

Large cap U.S. equities rose to record levels during the third quarter of 2018, spurred by healthy signals within the domestic economy and strong year-over-year growth in corporate earnings. For a seventh consecutive quarter, the growth component of the market outperformed its value counterpart, suggesting a continued bifurcation of investor sentiment in favor of companies showing higher levels of revenue growth, earnings growth, and stock price momentum versus those trading at lower absolute valuation levels.

The S&P 500 Index returned 7.71% in the quarter. By comparison, BBH Core Select Class N ("Core Select" or "the Fund") rose by 6.10%. Over the last five years, Core Select has compounded at an annualized rate of 8.60% per annum versus 13.95% for the S&P 500 Index. On a through-the-cycle basis, as measured from the prior market peak reached in October of 2007, the Fund has compounded at 8.5% per annum, which compares to 8.2% for the S&P 500.

Performance
As of September 30, 2018

	Total Returns		Average Annual Total Returns				
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class N	6.10%	3.36%	9.66%	11.69%	8.60%	9.99%	6.27%
Benchmark	7.71%	10.56%	17.91%	17.31%	13.95%	11.97%	6.97%
Retail Class	5.94%	3.08%	9.34%	11.41%	8.32%	N/A	10.48%
Benchmark	7.71%	10.56%	17.91%	17.31%	13.95%	N/A	13.54%

Class N Inception: 11/02/1998
Retail Class Inception: 03/25/2011

Class N: Net/Gross Expense Ratio (%) 1.00 / 1.02
Retail Class: Net/Gross Expense Ratio (%) 1.25 / 1.33

* Returns are not annualized.

The Investment Adviser has contractually agreed to limit the Total Annual Fund Operating Expenses to 1.00% for Class N shares and 1.25% for Retail Class shares through March 1, 2019. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund's Board of Trustees (the "Board").

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 performance current to the most recent month-end please call 1-800-625-5759. *Fund shares redeemed within 30 days of purchase are subject to a redemption fee of 2.00%.*

The S&P 500 is an unmanaged weighted index of 500 stocks providing a broad indicator of stock price movements. The index is not available for direct investment.

Sources: BBH & Co. and S&P

Portfolio Contribution

Our largest positive contributor in the third quarter was Oracle Corp. The company's shares rebounded following a 12% drop that had occurred at the end of June after the release of quarterly results that included a financial reporting change that was poorly received by the market. While the new segment disclosure no longer delineates pure Cloud-based revenues (a closely tracked metric in today's software industry), we believe the broader categorization now being used better reflects Oracle's actual go-to-market strategy, in which large customers are offered flexibility in their uptake of both on-premise and cloud-based software licenses. Toward the end of the third quarter, the company reported results for its August fiscal quarter that were in line with our expectations from a financial standpoint and in terms of progress relative to our investment thesis. Notably, Oracle repurchased shares totaling $10 billion, representing more than 5% of its starting market capitalization, enabled by its strong free cash flow ($6.3 billion in the quarter) and balance sheet flexibility. On a currency-adjusted basis, the company's quarterly revenue growth was modest at 2%, but we anticipate an acceleration in the second half of the fiscal year driven by product cycles. We remain positive on the overall trajectory of the business based on the inherent customer captivity in the database business and the growth opportunities presented by its investment in 'autonomous' technologies that are differentiated in the market and offer potential cost savings and uptime enhancements for customers. In addition, we are encouraged by the strong positioning of Oracle's enterprise application software products and its ability to offer integrated, multi-function suites in both on-premise and Cloud instances.

Other strong contributors in the quarter included Berkshire Hathaway and Qualcomm. Berkshire shares advanced 13% driven by strong results in its operating businesses and a mid-July announcement of a key amendment to the company's share repurchase program. Whereas previously Berkshire had held that it would not pay more than a 20% premium to its reported book value per share for open-market repurchases, the new amendment states that CEO Warren Buffett and Vice Chairman Charlie Munger may elect to effectuate such purchases at prices that they believe to be below the company's "conservatively determined" intrinsic value[1] per share. Despite this increased flexibility, the company re-affirmed that share repurchases will not be made if they would reduce the balance of its total cash, cash equivalents, and U.S. Treasury Bills to levels below $20 billion. Pursuant to the new policy, the company repurchased an undisclosed amount of stock during the third quarter. Berkshire's operating results reported in August showed strong performance within the insurance businesses aided by the benefit of previous price increases flowing into earnings and a lack of significant catastrophe losses. Among the other businesses, the railroad and manufacturing operations made notable contributions to overall

[1] BBH's estimate of the present value of the cash that a business can generate and distribute to shareholders over its remaining life.

growth and pre-tax profits. Continued gains in the equity markets (and Berkshire's large stake in Apple in particular) likely added to the strength in the share price.

Qualcomm shares returned more than 29% in the quarter, with several key developments boosting investor sentiment. First, a long period of uncertainty ended in late July as Qualcomm abandoned its proposed purchase of NXP Semiconductors due to a regulatory impasse with China's Ministry of Commerce, which withheld approval of the deal on the grounds of potential harm to the long-term prospects for Chinese semiconductor companies and device manufacturers. In our view, a background context of high-level trade disputes between China and the U.S. played a role in the events. We had viewed the potential NXP purchase as being generally positive for Qualcomm, but the deal carried a high price tag as well as standard merger risks related to deal execution, management distraction, customer uncertainty and competitors' opportunism. Qualcomm paid a breakup fee of $2 billion and swiftly moved ahead with its 'plan B' commitment to commence a new $30 billion share repurchase in order to generate per-share accretion at least on par with what NXP would have provided. In August, Qualcomm conducted a modified Dutch tender offer for its shares, buying back a total of $5.1 billion.

Even as its financial results continue to be heavily impacted by the non-payment of royalties from Apple and another unnamed large licensee, Qualcomm reported solid revenue and earnings results marked by particularly strong growth in its offerings outside of the core modem chip business. These areas include radio frequency modules, automotive and industrial chips, the 'Internet of Things,' and processors for servers and PCs. From what had been a very small base 2-3 years ago, the company now expects to achieve $5 billion in revenue within these areas in the current fiscal year and potential growth to at least $7 billion next year. The large royalty disputes clearly remain a source of uncertainty, but a recent partial payment by the unnamed licensee hinted at a potential way forward, while in the Apple situation the commencement of court cases and regulatory appeals in multiple jurisdictions over the last few months could mark some progress, insofar as a mutually-agreeable commercial settlement may be jointly preferred to a protracted legal process.

Holdings As of September 30, 2018	
Berkshire Hathaway Inc (Class A)	7.5%
Oracle Corp	7.1%
Alphabet (Class C)	6.6%
Comcast Corp (Class A)	5.5%
US Bancorp	4.9%
FleetCor Technologies Inc	4.5%
Wells Fargo & Co	4.5%
Novartis AG ADR	4.4%
Kroger Co	4.0%
Zoetis Inc	3.6%
Discovery Communications Inc (Class C)	3.5%
Diageo Plc ADR	3.3%
Henry Schein Inc	3.2%
Praxair Inc	3.0%
Qualcomm Inc	3.0%
Perrigo Co Plc	2.8%
Celanese Corp	2.7%
Sabre Corp	2.6%
Qurate Retail Inc (Class A)	2.6%
PayPal Holdings Inc	2.3%
Liberty Global Plc (Class C)	2.2%
Unilever NV ADR	2.1%
Nestle SA ADR	1.7%
Allegion Plc	1.7%
Waste Management Inc	1.6%
Dollar General Corp	0.9%
DENTSPLY SIRONA Inc	0.6%
Cash and Cash Equivalents	7.4%

Holdings are subject to change.

Despite a pullback late in the quarter, Comcast shares also finished among our larger positive contributors. The company wrapped up a long and competitive pursuit to purchase Sky PLC as UK regulators conducted a definitive final auction for the business in September. Comcast's bid appraises Sky at an enterprise value of nearly $49 billion, or 15x existing estimates for Sky's fiscal 2019 earnings before interest, tax, depreciation, and amortization (EBITDA). Comcast expects to finance the purchase entirely with debt – a decision we readily support given the somewhat over-conservative balance sheet structure the company had been carrying and our belief that the equity shares are undervalued.

We continue to believe this deal makes strategic sense as it provides Comcast with a strong position in three of Europe's largest markets, adding 23 million subscribers to Comcast's base of 30 million. We also see potential for significant scale advantages across research and development (R&D), technology, programming, and procurement, as well as content synergies, sharing of best practices and beneficial collaboration around the development and rollout of 'over-the-top' digital distribution. While the valuation appears rich and is significantly higher than Comcast's initial offer, based on our estimates and assuming $500 million in total synergies, we believe the deal could be slightly accretive to earnings and cash flows. As with any large transaction, execution will be the ultimate determinant of whether management creates value. We believe that Comcast's leaders are among the best operators and capital allocators in the business, and we also note that they have demonstrated an ability to successfully integrate and create shareholder value from large transactions in the past (AT&T Broadband, NBCUniversal).

The largest performance detractors in the third quarter were Nielsen Holdings and Dentsply Sirona, both of which experienced unexpected business headwinds that undermined our investment theses. Nielsen reported disappointing second quarter earnings results in which its retail measurement business (the Buy segment) faced continued revenue declines in developed market regions, but also was hurt by a significant slowdown in emerging markets – an area that had previously been growing at attractive rates. Nielsen's large consumer products clients in developed markets have been tightening their external spending on market analysis as they seek to offset their own business headwinds related to weak pricing and changing consumer habits. This dynamic had been known to investors, and our view was that the impact of such trends over the last several quarters had been overly discounted in the company's valuation. However, in the second quarter, similar trends abruptly spread into emerging markets, raising broader questions of whether it was solely a client-side issue or perhaps also that Nielsen may not have the optimal product and service offerings for a rapidly evolving industry. Consumer products companies are increasingly approaching innovation with a 'fail fast' mindset in order to better compete with smaller emerging brands that launch products at a faster rate. Several of Nielsen's products were focused on larger, more in-depth market studies, which clients have de-emphasized in favor of quick analyses to support a rapid pace of innovation. While Nielsen has products to serve these needs, we believe it had fallen short in repositioning its portfolio for the new reality. These issues are especially problematic for Nielsen given that it over-indexes to large multinational clients who face the most pressure, as opposed to the smaller players that are gaining share.

Nielsen's media measurement business (the Watch segment) has had steadier performance relative to Buy, and in our view, it continues to be the key source of value and stability for the company. However, it too experienced sudden headwinds in the second quarter due to increased regulation and changes in privacy laws (i.e., the European Union's General Data Protection Regulation [GDPR]), leading to an unexpected slowdown in the Marketing Effectiveness offering. Nielsen's clients have cut back on advanced analytics spending related to their targeted advertising campaigns as fears of fines from regulators over data usage permissions outweigh the benefits. While this could prove to be a short-term issue (given that targeting and attribution remain clear imperatives for media companies and advertisers), it is another operational challenge that the company must overcome, and it is unclear when this business will regain its footing. If the new data compliance hurdles for some of Nielsen's smaller clients prove to be too onerous, it is possible that a portion of the business may be permanently impaired.

Compounding the sudden operational issues, Nielsen announced that its CEO, Mitch Barnes, would be leaving at year-end, and that a strategic review of the Buy business was underway. Plainly stated, this put us in a situation in which we did not know who would be leading the Company or what assets we would eventually own as shareholders. As such, we made the difficult decision to exit our entire position at a loss. While this was a clear disappointment relative to our primary goal of capital preservation, we believe it is critical that we address such situations objectively when we see an increased likelihood that a company's degree of fit with our investment criteria has been compromised, the range of outcomes has broadened, or visibility around business composition or leadership has materially reduced.

Dentsply Sirona shares fell sharply in August after the company lowered its forward financial targets for the second consecutive quarter. The dental consumables portion of Dentsply's business has performed reasonably well, but the technology and equipment business has experienced a series of setbacks, some of which relate to downstream issues in the distribution channel, while others have resulted from missteps in marketing, innovation and execution. Inventory de-stocking by key distributors had already been a business headwind in 2018, but in setting significantly lower revenue and margin targets for the balance of the year, Management noted that the issue had gotten worse. We believe that much of the inventory reduction relates to efficiency initiatives at the distributors, but we would also cite inadequate sales and marketing activity by Dentsply and competition in areas such as digital imaging as compounding factors.

Beyond the specific factors causing near-term earnings pressures for Dentsply, we believe the business continues to struggle with internal distractions related to recent management changes and lingering issues related to the integration of Sirona, which was acquired in 2016. We viewed the Sirona combination as a means for Dentsply to position itself uniquely as a true end-to-end provider in a structurally attractive industry, and over time we believe this goal may still be realized. However, the business trends for Sirona and the effectiveness of the integration process have fallen well short of initial plans, and as a result, Dentsply has taken significant impairment charges against the carrying value of deal-related intangible assets. Management is keenly focused on rationalizing the blended corporate infrastructure and moving past the distraction of the integration, but the scope of the impact on the business is clear from the recent disappointments. Presently, we believe the business faces material execution risks, particularly as it relates to what is now a broad restructuring program that is meant to re-shape the internal supply chain and centralize several areas of oversight and financial planning. It is conceivable that the achievement of these ends could require a significant amount of time and cause additional business disruption, and as such, we are left with much less visibility and a broader range of potential outcomes. Given these considerations, we decided to sell most of our position in Dentsply during the quarter.

Portfolio Changes and Valuation

In July, we initiated a new position in Dollar General, which had long been among our 'wish list' companies based on its strong fit with our investment criteria, its attractive financial performance and its high-quality management team. The company is a discount retailer that offers a broad range of consumable and discretionary products at low price points through a network of 15,000 small-format stores that are predominantly located in rural areas, which tend to be underserved by traditional retailers. Dollar General's pricing, assortment and convenience-oriented shopping format offer a valuable service to consumers, in our view.

While the U.S. retail industry – including food and staples retail – is undergoing important structural shifts, we believe Dollar General can effectively leverage its size, scale and focus on the rural consumer not only to compete effectively, but also sustain its leadership position in a changing landscape. The company's core customer base generally overlaps with a lower income demographic, and as such, the stores provide a means for consumers to enhance their purchasing power, often in the context of a 'fill-in' shopping trip for which the basket size is small and the total order value averages $12. Dollar General focuses its presence on towns of approximately 20,000 people, but it has been able to generate attractive store-level returns in towns with populations as low as 2,000. Shopping alternatives in these communities tend to be sub-scale grocers or convenience stores that have higher like-for-like pricing, and consumers may have to travel significant distances to visit large retailers that offer similar value to Dollar General. Despite its diffuse store network, the company earns attractive returns based on its ability to operate the business and the stores at a very low cost. The physical stores and the land they sit on are inexpensive, staffing levels are low, and the company's distribution infrastructure, from procurement to shelf stocking, is sophisticated and efficient, in our view.

We foresee continued opportunities for revenue and earnings upside at Dollar General from store growth, merchandising initiatives, expanded private label offerings and digital marketing. In pursuit of market share gains from competitors and first-mover advantages in greenfield rural markets, the company continues an aggressive campaign of store additions. Management's approach to this buildout is disciplined and data-driven, as evidenced by strong returns on incremental invested capital, and we believe the remaining whitespace opportunity is significant. Systemwide merchandising initiatives including broader offerings of refrigerated foods and improved assortment of general merchandise such as health and beauty products are being undertaken with the goal of gaining larger 'share of wallet' and reinforcing the customer value proposition. Dollar General's private label program is still in its early phases, but the underlying focus on offering quality products at attractive price points should enable core customers to stretch their shopping budgets while simultaneously improving the margin profile of the company overall. While e-commerce encroachment has been less of a factor in Dollar General's consumer demographic, the company is nonetheless investing in technology initiatives such as digital coupons, targeted advertising, and 'buy online, pick up in store' capabilities to ensure it stays relevant as customers' behaviors and expectations evolve.

Importantly, Dollar General has certain counter-cyclical attributes insofar as during periods of financial or economic stress, it will likely see an increase in transactions as customers look to economize by either buying smaller pack sizes or adhering to a stricter budget. This was evident during the last U.S. recession, when same-store sales increased by approximately 10% in both 2009 and 2010. While we do not have a view on when the U.S. economy might enter another downturn, nor is our investment thesis predicated on such an occurrence, we believe Dollar General is well positioned to perform strongly in periods of economic stress. The company's ability to sustain attractive economic margins alongside a stable core business and a relatively low-risk expansion strategy form the basis of the upside opportunity we see in our estimate of its intrinsic value per share relative to the current market price.

During the quarter, we continued to build our position in Allegion, which we initially began buying in June 2018. The company reported solid earnings results in August, highlighted by year-over-year organic growth exceeding 5% and steady operating margins driven by pricing, productivity, and other cost savings that offset input cost inflation headwinds. We maintain a high level of conviction that Allegion can continue to earn and compound high economic profits at attractive rates, and we continue to see the shares as being attractively valued relative to our intrinsic value estimate.

As already noted above, we sold our entire position in Nielsen and materially reduced our investment in Dentsply Sirona during the quarter.

At the end of the quarter, we had positions in 27 companies with 53% of our assets held in the 10 largest holdings. As of September 30, Core Select was trading at 84% of our underlying intrinsic value estimates on a weighted-average basis, which was six percentage points higher than the prior quarter due primarily to appreciation of the portfolio. We ended the quarter with a cash position of 7.4%, which was higher than the level at the end of June 2018 as our selling activity in Nielsen and Dentsply offset our purchases of Dollar General and Allegion. Thus far in the fourth quarter, our cash level has been reduced via trades that will be disclosed at a later date.

Commentary

Depending on one's perspective, the current co-existence of a strong domestic economy, high valuation levels (or low earnings yields), rising interest rates, U.S. dollar strengthening, broadening wage pressures and a choppy geopolitical environment can either be viewed as a sufficient equilibrium to prolong the nine-year market run, or alternatively, an unsteady detente in which one or more factors could at any time inflect negatively, causing potential follow-on effects for the others. Top-down calls of this kind are impossible to predict with any consistency, which is why we drive our portfolio positioning for Core Select from the bottom up, focusing on owning a select group of high-quality companies that we believe can create compounding shareholder value across business and market cycles. We remain confident that our strict investment criteria, long-term perspective, and 'margin of safety[2]' driven approach best positions our portfolio to protect capital and achieve attractive absolute returns over time.

As a final note, during the third quarter we welcomed Claire Baxter to the Core Select team. Claire had worked with us as a summer intern in 2017, and we were very pleased to have her join us on a permanent basis after she graduated from Cornell University earlier this year.

[2] A margin of safety exists when we believe there is a significant discount to intrinsic value at the time of purchase – we aim to purchase at 75% of our estimate to intrinsic value or less.

We are grateful for your continued support and interest, and as always, we welcome your questions and feedback.

Sincerely,

Michael R. Keller, CFA
Fund Manager

Share Class Overview
As of September 30, 2018

	Ticker	Inception Date	Total Net Assets (mil)	NAV	Upside/Downside Capture[1]
Class N	BBTEX	11/02/1998	$1,830.8	$21.56	77.5% / 107.8%
Retail Class	BBTRX	03/25/2011	$80.0	$11.06	76.6% / 108.7%

[1] Upside / Downside Capture Ratio is an annualized 5-year rate, net of fees. Both compare an investment's performance against its benchmark during periods when the benchmark's performance is positive or negative.

Equity Weighting
As of September 30, 2018

Common Stock	92.6%
Cash and Cash Equivalents	7.4%
Total	**100.0%**

Fund Facts
As of September 30, 2018

Number of Securities Held	27
Average P/E	20.7
Average Market Cap (bil)	$125.8
Turnover (Rolling 12-Months)	10.37%
Active Share	94%

Excludes cash equivalents.

Sector Weighting
As of September 30, 2018

Consumer Discretionary	15.9%
Consumer Staples	12.0%
Energy	0.0%
Financials	18.3%
Health Care	15.8%
Industrials	3.6%
Information Technology	28.2%
Materials	6.2%
Real Estate	0.0%
Telecommunication Services	0.0%
Utilities	0.0%
Total	**100.0%**

Reported as a percentage of portfolio securities.

Top 10 Companies
As of September 30, 2018

Berkshire Hathaway Inc	7.5%
Oracle Corp	7.1%
Alphabet Inc	6.6%
Comcast Corp	5.5%
US Bancorp	4.9%
FleetCor Technologies Inc	4.5%
Wells Fargo & Co	4.5%
Novartis AG	4.4%
Kroger Co/The	4.0%
Zoetis Inc	3.6%
Total	**52.8%**

Reported as a percentage of total portfolio.

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

Price/Earnings (P/E) ratio is a company's current share price divided by earnings per-share.

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

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 change 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.

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 1100, Denver, CO 80203.

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Not FDIC Insured **No Bank Guarantee** **May Lose Money**