BBH Partner Fund – International Equity

Quarterly Fund Update / 1Q 2019

Introduction

In the first quarter of 2019, BBH Partner Fund – International Equity (the "Fund") gained +16.51% net of fees, while the MSCI EAFE Index[1] (the "benchmark" or the "market index") gained just under +9.98%. By any measure, equity markets experienced extraordinary volatility in the last six months. 2018 finished with one of the largest quarterly declines in the last decade, and 2019 began with one of the largest quarterly gains in the last decade. Having been active buyers into weakness during the fourth quarter of 2018, we were rewarded in the first three months of this year as investors' risk appetites returned. The Q4 2018 sell-off enabled us to upgrade the quality of the portfolio, as we bought shares in a number of businesses that we believe should be relatively resilient to an eventual economic downturn. These companies included some of the faster-growing businesses in our investible universe, and, in many cases, their management teams have demonstrated an ability to make their own luck in difficult economic environments through disciplined operational execution and intelligent capital allocation. We were particularly gratified that in the first quarter 2019 equity market recovery, many of these newly purchased holdings contributed meaningfully to our outperformance versus the Index. The businesses in our portfolio continued to perform very well, in our view, and most of the companies we own also saw their valuations re-rate higher during the period after trading significantly below our estimates of their intrinsic values[2] at year-end. To put the "v-shaped" last six months into perspective, the Index ended the first quarter approximately -3.8% below its closing price on September 30, 2018, while investors in the strategy have enjoyed a net return of +1.2% over that same time frame.

Performance
As of March 31, 2019

	Total Returns		Average Annual Total Returns				
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	16.51%	16.51%	5.72%	9.33%	4.42%	9.12%	5.37%
MSCI EAFE Index	9.98%	9.98%	-3.71%	7.27%	2.33%	8.96%	4.68%

Class I Inception: 10/25/2002 Class I: Total Expense Ratio (%): 0.68

* Returns are not annualized.

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%.*

Class I commenced operations on 10/25/2002. Total return information for Class I shares from 10/24/2002 to 6/7/1997 is that of Class N shares and from 6/6/2017 to 4/1/1995 is that of the BBH International Portfolio. Class N's and predecessor Fund's performance has been adjusted to assume that all charges, expenses, and fees which are presently in effect for Class I were deducted during such periods, as permitted by applicable SEC staff interpretations.

MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

Sources: BBH & Co. and MSCI EAFE

It has now been just over two years since Select Equity Group, L.P. ("Select Equity") began managing the Fund on February 24, 2017. On a cumulative basis since that date, the Fund has gained +21.3% net of fees, versus a gain of +12.9% for the benchmark. On an annualized basis over that same period, the Fund has returned +9.63% net versus +5.95% for the benchmark.

Portfolio Contribution

The Fund's gains in the first quarter were broad based, with nearly every company in the portfolio rebounding strongly following the sell-off of the previous quarter. In our last letter, we noted that in the last three months of 2018, "many of our companies saw significant declines in their share prices despite reporting strong underlying results during the quarter." In the first three months of 2019, we welcomed a reversal in this seemingly irrational sell-off. The median share price change in our portfolio was approximately +15% (in USD) during the first quarter versus a return of +10.0% for the Index.

In the first quarter of 2019, we owned 43 positions that generated a positive return for the period. Of these, 38 holdings contributed +0.10% or more each and 27 holdings contributed greater than +0.20% each. We held two positions that detracted greater than -0.20% each – these were the only positions that generated a negative return in the period, both of which are discussed further in this letter. As we discussed in our last quarterly letter, the Q4 2018

[1] The MSCI EAFE Index is designed to represent the performance of large- and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, and excluding the U.S. and Canada. The index is available for a number of regions and market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. The index is not available for direct investment.

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

sell-off provided us the opportunity to upgrade the quality of the portfolio by buying a number of new positions in businesses we believe to be among the highest-quality companies in our investible universe.

Our largest contributor to performance in the first quarter was Worldpay (WP). The strategy first purchased shares in Worldpay in 2017, when it was listed and headquartered in the United Kingdom. Worldpay is the global market leader in online payment processing, benefiting from a tollbooth business model in which it provides back-end software and services to many of the world's leading e-commerce merchants. In early 2018, the Company completed a merger with Vantiv, a leading merchant acquirer and payment processor in the United States. Having studied, admired and owned both businesses individually for many years, we believed the combination was uniquely synergistic. The merged business is a world-class company with global leadership in processing non-cash debit and credit card transactions across e-commerce and bricks-and-mortar retail points of sale. In the first nine months of 2018, as the market came to fully appreciate the attractiveness of the merged Worldpay-Vantiv, we took advantage of share price strength to reduce our position. During the Q4 2018 sell-off, with its shares once more going "on sale" from our perspective, we happily bought into share price weakness such that Worldpay began 2019 as one of the strategy's top 10 holdings. As markets recovered in January and February 2019, Worldpay shares surged more than +25% (in USD) in two months. Subsequently, in March 2019, Worldpay shares rose sharply higher on the announcement that it had signed a definitive agreement to be acquired by Fidelity National Information Services (FIS), a leading provider of processing services and payment software to financial institutions in the United States. FIS is a business we know well and admire in its own right. We have come to greatly admire the FIS management team for its disciplined operational execution and outstanding capital allocation. The combined FIS-Worldpay business will be an attractive, diversified portfolio of recurring-revenue businesses with leading market positions that should grow sales at mid- to high-single-digit rates for the foreseeable future. Profits and free cash flow should grow significantly faster than that, as the highest-margin businesses drive overall growth while management realizes significant cost savings and scale efficiencies following the merger. In total, Worldpay appreciated more than +48% (in USD) during the first quarter and contributed roughly +1.7% to the portfolio's return.

Our largest detractor from performance in the first quarter was Seven & I Holdings (3382 JP), a company whose main portfolio includes the 7-Eleven convenience store ("c-store") networks in Japan and the United States. The c-store industry is a slow growth but stable, economically resilient business selling low-ticket food, beverage and tobacco products to a customer base of recurring visitors. The industry is also highly fragmented globally, and Seven & I is one of the two companies in our portfolio that has gradually been consolidating this industry to realize significant economies of scale in purchasing, marketing and back-office administration relative to the long tail of "mom and pop" local competitors around the world. Our multi-year investment thesis on Seven & I has been predicated on a turnaround effort begun in 2016 by new CEO Ryuichi Isaka. Internally promoted, Mr. Isaka, who previously enjoyed considerable success profitably growing the core 7-Eleven business in Japan, inherited a holding company that had expanded into a variety of unprofitable, low-return, undifferentiated Japanese retail concepts that are far less attractive than the core c-store business. New management announced ambitious three-year targets to drive overall company profitability by restructuring the less attractive assets and reinvesting in the core business. In March 2019, the Company announced disappointing sales for the month of February, which triggered a number of sell-side analyst downgrades. Later in the month, several media outlets reported that some of the Company's franchisees were protesting their contractual obligations to keep stores open 24 hours per day in a country with a notable labor shortage. This further dented sentiment on the stock despite management subsequently noting that less than 1% of store managers had expressed a desire to shorten store hours. Still, Seven & I shares fell more than -12% (in USD) during the quarter, detracting -0.3% from the strategy's gross performance. With investor sentiment depressed and the stock near five-year lows, we believe the shares are significantly undervalued, trading roughly 25%-30% below our estimate of intrinsic value.

Valuation & Portfolio Activity

As of the end of the first quarter, our portfolio traded roughly 10%-15% below our estimate of fair value, compared with a 30%-35% discount at year-end. Valuations have now more than recovered from the fourth quarter swoon, and we have taken advantage of market strength to rebuild our cash position. As of quarter-end, our cash balance represented 13% of the Fund, up from roughly 2% at the beginning of the quarter. To put current valuations in context (given the recent market volatility and the v-shaped market of the last six months), both our overall portfolio upside and cash balance are now roughly around the levels we saw when we first launched the strategy in early 2017.

We ended the period owning 43 companies, down slightly from 44 holdings at the beginning of the quarter. After initiating one new position early in the quarter on weakness, we exited two of our holdings into strength later in the quarter as the market rebounded. We remain relatively concentrated in our highest-conviction ideas, with our 20 largest positions representing just under 60% of the Fund and our top 15 holdings totaling 47%. To put current valuations in context (given the recent market volatility and the V-shaped market of the last six months), both our overall portfolio upside and our Fund's cash balance are now roughly around the levels we saw when we took over management of the Fund in early 2017.

In early January, we initiated a sizeable new shareholding in Shiseido (4911 JP), the Japanese manufacturer and marketer of branded beauty and personal care products. Our research team has been studying Shiseido since 2010. We regard the beauty care industry as a particularly attractive value chain characterized by loyal customers and recurring revenue, high profit margins and strong secular growth driven both by pricing power and by the rising numbers of middle-class and mass-affluent consumers in the emerging markets. Shiseido's portfolio targets this higher-end consumer with "prestige" priced products representing 53% of revenue, roughly two times the global industry average of 25%-30%. Shiseido's portfolio is weighted to skincare (60% of revenue), makeup (22%) and fragrance (13%), and its products are sold globally with well over half of revenue derived outside of the home country of Japan. After decades of mismanagement during which the Company lagged its industry as a whole, Shiseido has been reborn over the past five years under the leadership of new CEO Masahiko Uotani, the first external appointment to run the Company in its over 140-year history. Uotani has moved quickly to rationalize the Company's far-flung portfolio of SKUs, cut redundant operational costs and improve the growth and product mix by driving marketing and research and development efforts behind Shiseido's highest-value products and categories. The results have been extraordinary. In the five years before CEO Uotani's arrival, Shiseido grew just 2% organically on average, with profit margins well below industry averages. In the five years since he arrived, Shiseido has averaged 10% organic growth – accelerating to 13.5% in 2018 – while returns on capital employed have risen from 8% in 2015 to nearly 24% last year as profit margins have more than doubled. We see ample runway for Shiseido to grow strongly in the years ahead; the Company has just 4% share of the global beauty market today but close to an 8%-10% share in higher-end "prestige" products that are growing faster than the industry as a whole. We also view Shiseido as a relatively defensive holding in an uncertain global economy; the beauty industry has exhibited positive overall growth in each of the last 25 years, including 2009. We waited years for an opportunity to buy this business for the strategy at an attractive price, and our patience was finally rewarded as the shares dropped approximately -26% (in USD) in the last year from their highs. After buying a fairly large position for the Fund in early January, Shiseido ended the quarter as one of the Fund's 15 largest holdings.

We also added to our position in EssilorLuxottica (EL FP) on share price weakness during the first quarter. The Company is the result of a 2018 merger between two outstanding, market-leading businesses in the eyeglass value chain that we have studied for more than a decade: France's Essilor and Italy's Luxottica. Essilor is by far the global market leader in manufacturing eyeglass lenses, while Luxottica is the clear global leader in designing and producing eyeglass frames (often as the licensee of choice to luxury brand partners). Luxottica is also vertically integrated, operating the leading global retailer of sunglasses (Sunglass Hut) and numerous optical retail chains around the world (including LensCrafters in the US). The combination of these two industry giants should lead to significant operational synergies and efficiencies over time given the obvious industrial logic of bringing together the dominant makers of eyeglass frames and lenses into a single company. Essilor's management, in particular, had long expressed a desire to consummate this transaction in the years before a deal was finally reached. The merger closed in 2018, but the shares have subsequently significantly lagged the broader equity markets. Investors are understandably wary that merging two vastly different corporate cultures will be a long and formidable challenge, and it has become apparent that it may take years before the combined company achieves the promised synergy targets. Against a backdrop of broad-based equity market strength, EssilorLuxottica shares fell -14% (in USD) in the quarter, detracting -0.2% from the Fund's Q1 performance. This followed a more than -18% (in USD) drop during the Q4 2018 sell-off (during which we initiated our current position for the strategy), leaving the shares roughly -26% (in USD) below recent highs and trading more than 30% below our estimate of the Company's intrinsic value. While we share the market's skepticism over the possible C-suite culture clash, we regard the valuation as compelling for a fundamentally strong and resilient portfolio of market-leading businesses selling into relatively defensive healthcare end markets (particularly at this point in the economic cycle). Essilor shares (the acquirer) ended the quarter at a price last seen in early 2015, despite the business having grown consistently since that time. The valuation today is the lowest attributed to either standalone company over the last five years and is more than supported (in our view) by the growing cash flows of these individual businesses regardless of how long it takes to realize the anticipated benefits of the merger.

As sellers into strength in recent months, we have trimmed many of our holdings but have been particularly aggressive in reducing exposure to some of the more cyclical businesses in our portfolio. We note that investors who were keenly worried about a near-term global recession just a few months ago seem today to be dismissing this possibility altogether. Valuations for certain economically sensitive businesses have re-rated in a matter of months to once again reflect (in our view) many years of strong growth in the global economy. We chose to remain disciplined on valuation for these stocks in case that optimistic scenario fails to materialize.

The Investment Environment

We have noted among our macro concerns that 2018 – and, specifically, the fourth quarter of 2018 – would see nearly a decade of quantitative easing (QE) give way to quantitative tightening (QT), and we positioned the portfolio anticipating this being a headwind to public equities. The first quarter of 2019 has demonstrated that global markets clearly have yet to kick their addiction to QE. The US Federal Reserve (Fed) abruptly abandoned its planned monetary normalization during the quarter. Chairman Powell signaled in early January that the Fed was reassessing the future path of interest rates, subsequently began peppering his speeches with references to patience and then confirmed in March that rate increases would be on hold "for some time" while (importantly) the anticipated contraction of the Fed's balance sheet would moderate in May and end in September. It is important to keep in mind that the much-anticipated "normalization" had barely begun: Total Fed assets rose from $890 billion in 2008 to a peak of $4.5 trillion, with the modest QT put in place thus far reducing the balance sheet by only 12% to $3.9 trillion. This was an extraordinary course-correction in a short time, and the results were spectacular in terms of the impact on equity markets.

Top 10 Companies As of March 31, 2019	
ASML Holding NV	4.4%
Worldpay Inc	4.3%
Capgemini SE	4.1%
Melrose Industries PLC	3.7%
Partners Group Holding AG	3.0%
adidas AG	3.0%
Keyence Corp	2.9%
Alibaba Group Holding Ltd	2.8%
AIA Group Ltd	2.8%
Tencent Holdings Ltd	2.8%
Total	**33.7%**

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

Against the backdrop of rapidly recovering equity market valuations, global GDP growth slowed almost everywhere in the first quarter. In 2018, the global economy grew 3.6%, 30 bps below the IMF's original expectations, and the 2019 estimate fell from 3.7% in October to 3.3% today. Inflation across the developed world remains below targeted levels, while industrial production and investment continue to disappoint. Global trade flows have collapsed into negative territory. Meanwhile, sustained softness in Purchasing Managers' Indexes (PMIs) across most geographies (China being an exception) suggests more economic weakness in the near future. Notably, one of the more reliable predictors of US recession – the US Treasury yield curve – briefly inverted at the end of March when the 10-year yield fell below the three-month yield. While QE buys policymakers time (which they too often squander) and buoys asset prices, it worsens the malady of excess financial leverage that helped trigger the Global Financial Crisis (GFC) in the first place and also exacerbates other potentially destabilizing problems such as wealth inequality. Across the developed world, the widening gap between the rich and the middle and lower classes is fueling support for nationalist populist movements advocating more debt-funded public sector spending, lower taxes or both. Overall, it's difficult to say that soaring valuations have been justified by improving mid- to long-term growth prospects for the global economy.

Our views on the global economy have not changed much in the past quarter (whereas equity market valuations have changed dramatically). We are witnessing the Chinese economy improve after last year's self-inflicted slowdown, we view the US economy as fundamentally healthy (albeit late in the economic cycle) and we are more optimistic than most that European economic growth will reaccelerate from low levels in the second half of 2019. Collectively, these three economic regions represent 45% of GDP on a purchasing power parity (PPP) basis and 51% of global growth in 2019. Given our portfolio's significant European exposure, we note with interest that "short European stocks" is now the "most crowded trade for the first time on record" (something of a contrarian indicator in our experience), according to the Bank of America Global Fund Manager Survey. Unlike the consensus view, we believe many of the factors driving recent European economic weakness are either idiosyncratic or abating. 2019 marks the year when the eurozone will shift decisively back to stimulus led by Germany, France and Italy. Both France and Germany beat expectations and delivered month-on-month improvements in their PMIs in April, and a spike in the Citi Eurozone Economic Surprise Indices is encouraging given that it generally serves as a leading indicator to the PMI series. While we are not optimistic about the UK economy due to the lack of any Brexit resolution, we note that the UK represents just 2% of PPP GDP and 1% of estimated 2019 global growth. At 12%, the strategy's exposure to UK equities is at its lowest levels in nearly two years.

While we remain vigilant on evolving macroeconomic and geopolitical risks, we continue to focus the majority of our investment team's efforts on rigorous, bottom-up analysis of businesses that we believe have outstanding long-term prospects. After a ferocious first quarter surge, global equity markets may find themselves stuck between the proverbial rock and a hard place: still sensitive to recession fears and earnings disappointments but, paradoxically, also vulnerable to stronger growth and inflation (which would bring rate increases back to the table and herald the resumption of monetary normalization). We believe that the global economic outlook is stronger than the current (backward-looking) data suggests; however, we would not be surprised to see markets greeting any "good" news as "bad" and selling off in anticipation of tighter monetary policy. Indeed, it may take a succession of monetary ebbs and flows before normalization is finally achieved. If so, we may be in for a multi-year period of low overall returns but elevated volatility. Given that our process seeks to generate alpha by buying companies that make their own luck into weakness and selling into strength, we believe such a scenario would play to our strengths.

RISKS

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging markets 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. 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. The Fund also invests in derivative instruments, investments whose values depend on the performance of the underlying security, assets, interest rate, index, or currency and entail potentially higher volatility and risk of loss compared to traditional stock or bond investments.

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.

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. BBH acts as the Fund Administrator and is located at 140 Broadway, New York, NY 10005.