BROWN BROTHERS HARRIMAN

BBH Partner Fund – International Equity

Quarterly Fund Update / 4Q 2019

Introduction

For the fourth quarter ended December 31, 2019, the BBH Partner Fund – International Equity (the "Fund") returned +7.83%. Over the same period, the MSCI EAFE Index[1] (the "benchmark" or the "market index") returned +8.17%. For the year ended December 31, 2019, the Fund returned +30.00%, versus a +22.01% for the MSCI EAFE Index.

Select Equity Group, L. P., the Fund's sub-adviser, assumed management of the Fund February 24, 2017. Since that date through 2019, the Fund has generated a net annualized return of +11.2%, outperforming the MSCI EAFE Index annualized return of +8.2% by approximately +300 points[2] ("bps"). Over the same period, the Fund has generated a net cumulative return of +35.3%, outperforming the Index's cumulative return of +25.2% by approximately +1,010 bps.

Performance
As of December 31, 2019

	Total Returns		Average Annual Total Returns				
	3 Mo.*	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class I	7.83%	30.00%	30.00%	12.31%	7.49%	6.45%	5.67%
MSCI EAFE Index	8.17%	22.01%	22.01%	9.56%	5.67%	5.50%	4.97%

Class I Inception: 10/25/2002 Class I: Total Expense Ratio (%): 0.71

* 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

Following a volatile summer, international equity markets ended 2019 on a high note, with several major indices (and their largest constituents) melting up to record highs in November and December. Last quarter, we wrote about several factors that were exacerbating global uncertainty, including trade war escalation, a general election in the UK, and worsening economic indicators — primarily the brief inversion of the spread between two-year and 10-year U.S. treasury yields for the first time since early 2006. Many of these issues have since been resolved, or at least temporarily pacified, and markets have shrugged off the rest. The U.S. Federal Reserve (Fed) cut interest rates by 25 bps in early November with Chairman Jerome Powell signaling a subsequent pause in the face of continued economic strength; the U.S. and China reached an "agreement in principle" to roll back certain tariffs; and, in early December, the UK handed Boris Johnson a clear mandate to move forward with Brexit. As a result, during the quarter, weekly asset flows into global equity funds and exchange-traded funds (ETFs) reached their highest volumes since early 2018, and this summer's anxiety was quickly forgotten.

While the market's fear of a recession has temporarily faded, we are responding to this reversal of sentiment by remaining disciplined. After brief buying opportunities over the summer and early fall, many businesses in our universe are back to trading at record highs, and we have been trimming into strength. With 2020 promising the progression of Brexit, a contentious U.S. election with international implications, and several headwinds to global growth threatening an already lengthy economic cycle, we are well prepared to deploy capital. In the meantime, we remain invested in businesses that we believe have the ability to grow their cash flows with a high degree of predictability, regardless of the state of the global economy. Should the now decade-long period of global gross domestic product (GDP) growth give way eventually to another economic downturn, we believe our companies may well gain market share from weaker competitors and emerge even stronger.

Performance Review

In the fourth quarter, we had 23 positions that contributed +0.10% or more to the Fund's returns, including 16 positions that contributed greater than +0.20% each and six positions that contributed greater than +0.50% each. We had two positions that detracted more than -0.10% each during the period,

[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] A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

none of which detracted greater than -0.20%. In 2019, we had 24 positions that contributed +0.50% or more to the Fund's returns and one position that detracted greater than -0.50%. The Fund started 2020 with 45 positions and approximately 20% of the portfolio in cash, a reflection of the record-high share prices and valuations across much of our universe. In 2019, we generated roughly +800 bps of outperformance on a net basis versus the Index despite maintaining an average cash position of 15%.

Our largest contributor to performance in the fourth quarter was **Melrose Industries** (MRO LN). Founded in 2003 by David Roper, Christopher Miller and current CEO Simon Peckham, Melrose operates similarly to a publicly traded private equity firm, with a successful record of buying, improving and selling previously undermanaged companies in the manufacturing sector. Unlike traditional private equity, however, Melrose employs less financial leverage and generates roughly half of its long-term returns through significant operational improvements. We have been following Peckham and his management team for over 20 years, dating back to their predecessor company Wassell. Since founding Melrose, they have bought and subsequently exited three large acquisitions with impressive returns: In 2005, Melrose bought aerospace suppliers McKechnie and Dynacast from PE owner Cinven and realized a 3.25x return over a seven-year holding period; in 2008, they acquired undermanaged mini-conglomerate FKI and returned more than 4x their initial investment; and in 2012, they acquired Elster, a leading global metering company for the gas, water, and electricity markets, selling the business just three years later to Honeywell for an almost 3x multiple. Most recently, Melrose bought publicly listed aerospace and automotive component supplier GKN in May 2018. Having studied GKN extensively prior to the acquisition by Melrose, we're confident that the Melrose team can improve operating profit margins over the next three to five years, as it has with similar acquisitions.

Melrose shares sold off in late September and early October thanks to trade war saber-rattling and concerns about softness in GKN's automotive end markets, particularly as workers at General Motors — a customer of GKN's Powder Metallurgy division — initiated the first major American auto strike in more than a decade. We took the opportunity to add to the position, and the stock rebounded strongly in the fourth quarter after GKN's Aerospace division outperformed and the Automotive division performed better than expected. Shares were further helped by macroeconomic developments in the form of cooling trade tensions and a Conservative victory in December's UK general election. We're pleased to have built a position in the Company as a result of these short-term headwinds, and Melrose remained a top five position at year-end.

A modest detractor during the fourth quarter was **Alcon** (ALC SW), a Swiss manufacturer of surgical and consumable equipment for the eye care industry that we purchased after it was spun off from Novartis in April 2019. Alcon is the market leader in specialized equipment and consumable products related to cataract and refractive surgery, with leading market share positions in four of its five product segments, including surgical implants, surgical consumables, surgical equipment, and ocular health. We first wrote about our Alcon investment thesis in our Q2 2019 letter, and our fundamental multi-year investment thesis remains intact. Prior to being acquired by Novartis in 2010, Alcon was a high-single-digit revenue grower with greater than 30% operating margins. During Novartis's ownership, however, Alcon lost share to rival Johnson & Johnson, as its new parent company reallocated cash to its struggling pharmaceutical business. Prior to spinning Alcon out as a standalone company, Novartis had already reinvested heavily in Alcon's research and development (R&D) pipeline and sales and marketing footprint, driving a reacceleration in organic growth and setting the stage for a significant multi-year recovery in Alcon's operating profit margins.

While this progress continues apace (organic revenue and earnings before interest and taxes [EBIT] grew 6% and 10% year-over-year in Q3, respectively), Alcon surprised the market in November by announcing an additional restructuring program with plans to spend an incremental $300 million in total through FY2023. Alcon shares sold off on the news, as investors began to fear that management's turnaround efforts were proving more difficult than originally anticipated. Despite these unexpected costs, which are broadly immaterial for a company with a roughly $30 billion market capitalization, Alcon's underlying business continues to perform well. In December, we conducted a follow-up round of field research with ophthalmologists that reaffirmed our optimism that Alcon's new product pipeline — particularly the PanOptix trifocal intraocular lens — should drive accelerating organic growth and operating margin expansion in 2020 and beyond. Alcon ended the year as a top 10 position. We believe the shares remain significantly undervalued and that the Company has the potential to re-rate significantly, as its growth and margins continue to return to the levels it enjoyed historically.

Portfolio Developments

Our portfolio traded at less than 10% upside at year-end versus 13% upside one quarter ago. Valuations have now more than recovered from their second- and third-quarter declines, and we have taken advantage of a strong earnings season and newly optimistic market sentiment to trim a number of holdings whose share prices advanced in the fourth quarter. We rotated more of the portfolio into our largest holdings, which traded at a larger discount to fair value than the portfolio as a whole. Our top 20 positions collectively comprised nearly 75% of the Fund's invested capital at year-end. During the quarter, we initiated one new position and exited two holdings into valuation strength. We continue to work diligently to rotate the portfolio to the companies that we believe offer the best risk/reward profiles: trimming or selling stocks whose valuations have run to well above our estimates of intrinsic values[3].and adding exposure to companies that remain significantly undervalued. During the quarter, we trimmed four positions by more than 75 bps, while adding significantly to five others.

Top 10 Companies As of December 31, 2019	
Capgemini SE	4.9%
Tencent Holdings Ltd	4.8%
SAP SE	4.5%
Melrose Industries PLC	4.3%
Amadeus IT Group SA	3.8%
AIA Group Ltd	3.4%
ASML Holding NV	3.3%
Alcon Inc	3.0%
Merck KGAA	2.8%
Constellation Software Inc	2.8%
Total	**37.5%**

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

During the period, we added to our position in **CP All** (CPALL TB), a company we have studied and admired for more than seven years. The Company dominates the convenience store industry in Thailand, where it operates the 7-Eleven trademark under a perpetual royalty and competes with a highly fragmented market of single-operator "mom-and-pop" street market-style bodegas. With more than 10,000 locations spanning across the country, CP All has turned 7-Eleven into a ubiquitous weekly or daily quick-stop shopping destination for Thai consumers. As the only national retailer with such breadth and scale, it enjoys a formidable position as a distribution and retail partner to national and global fast-moving consumer goods (FMCG) suppliers seeking to launch new products to the Thai population. The Company has a significant runway to continue to grow its store footprint in Thailand and surrounding countries and has grown same-store sales at consistent low- to mid-single-digit rates, while steadily expanding profit margins thanks to scale benefits. Over the last 10 years, CP All has compounded its revenue at 15% annually, while growing operating profit at an impressive 25% annual rate.

During the quarter, we added to our position in CP All following a share price decline of approximately -30% (in USD) from intra-year highs. Global trade tensions weighed on Thai consumer confidence from mid-2019 through year-end, while investors also began to fear that the Company might seek to acquire a struggling portfolio of Thai retail assets from UK-based Tesco plc, which announced it would put that business up for sale. Our research and subsequent conversations with CP All management suggest to us that fears of a Tesco Thailand acquisition are potentially overdone. With a long-term investment horizon, we can envision a recovery in Thai economic momentum and consumer confidence and suspect that CP All (one of a few broadly well-known and oft-loved stocks in the country) would re-rate significantly in that scenario. We were happy to seize upon a contrarian opportunity to buy CP All shares on weakness at a rare discount to our estimate of intrinsic value, at a time when most of the companies on our global approved list were seeing their share prices reach new 52-week highs.

We also added to **Capgemini** (CAP FP), which ended the quarter as our largest position. The Company is a France-based global provider of consulting services focused on information technology (IT) and digital transformation, and the second-largest global competitor to industry-leader Accenture. Capgemini has grown its operating profit and earnings per share at double-digit compounded rates over the past five and 10 years with solid free cash flow generation and strong (and rising) returns on invested capital. As companies worldwide grapple with the disruptive challenges of cloud-based software, artificial intelligence, big data analytics, smartphone usage and social media, we believe that demand for IT consulting should remain robust for the foreseeable future and that companies like Capgemini will continue to compete on problem-solving expertise rather than on price.

Capgemini's share price has been pressured in recent months due to a combination of trade concerns, conservative Q4 guidance and activist-fueled uncertainty regarding the Company's tender offer for engineering and R&D services consultant Altran Technologies. In the meantime, however, Capgemini's fundamental outlook remains positive. Bookings grew an impressive 19.6% in constant currency during the third quarter, accelerating meaningfully from the mid- to high-single-digit growth rates typical of the last year and a half. Despite contributing positively during the quarter, Capgemini still ended the year trading at a 5%-6% free cash flow yield, which is rare (at the moment) for a capital-light business with greater than 10% earnings before interest, taxes, depreciation, and amortization (EBITA) margins that has compounded EPS at 15% annually over the past five years. By contrast, competitor Accenture trades at just a 3%-4% yield, despite growing earnings per share (EPS) just over 10% during the same period. We believe that Capgemini has several positive catalysts on the horizon in 2020 that may prompt investors to recognize its undervaluation, including a resolution of the Altran deal and an acceleration in organic revenue growth, as signaled by the upturn in billings in the most recent quarter.

The Investment Environment

In reviewing the performance of equity markets in 2019, we would be remiss not to acknowledge the artificial and (in our view) ephemeral impact that low interest rate policies have exacted on global markets. After aborting monetary normalization following the violent financial market indigestion it caused at the end of 2018, the Fed and the European Central Bank (ECB) resumed balance sheet expansion with a vengeance in early 2019, while the

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

Bank of Japan never stopped. In the second and third quarters, economic momentum weakened, the possibility of a no-deal Brexit re-emerged and U.S.-China trade negotiations collapsed, with slumping sovereign bond yields suggesting an imminent recession. In response, the Fed cut rates in July and September, and the ECB followed (announcing a resumption of quantitative easing), placing a floor under global equities. In the fourth quarter, the Fed injected over $400 billion of liquidity into the market, reversing almost half of the balance sheet reduction it had taken two years to achieve in a single quarter. This, along with the announcement of a Phase 1 U.S.-China trade deal and Boris Johnson's sweeping election victory in the UK, powered the MSCI EAFE ex-U.S. Index to an +8.2% gain, to finish the year up +22.0%.

In addition to the Fed and the ECB, the other 88 central banks joined in and lowered rates 151 times while raising them only 20. In other words, the world is hooked on easy money, with debt at record levels and continuing to rise. Monetary policy continues to have an outsized impact on market performance, despite the diminished or negative returns it provides to the real economy and society. Even as global liquidity once again approaches the peaks of January 2018 — when central banks last chose to rein it in — the relentless strength of equities suggests few investors expect anything other than continued monetary accommodation. Volatility looms when this complacency is inevitably pierced.

At the risk of stating the obvious, a liquidity surge of the magnitude experienced last year cannot occur in successive years. Accordingly, we consider a repeat of 2019's strong equity market performance to be unlikely, particularly given elevated valuations (17.2x forward 12-month consensus earnings for the MSCI World Index). With that in mind, we can envision two potential scenarios for 2020:

1. Last year's monetary U-turn does restore economic momentum and delivers the intended return of inflation, in which case we would expect central banks to go back to draining liquidity and for markets to undergo further bouts of indigestion; or
2. Quantitative easing (QE) remains in place indefinitely, providing additional legs to an economic cycle that is already well past its peak, but at the cost of its side effects spreading wider and deeper.

As we have discussed in prior quarterly updates, QE is subject to diminishing returns. Accordingly, we expect fundamentals to reassert themselves as the dominant driver of share prices during 2020, with elevated levels of volatility during the transition — not least of all from the impending U.S. presidential election (in contrast to 2019 when global political risk was centered in Europe, thanks to Brexit). As a result, we anticipate the opportunity to redeploy capital at more attractive valuations than those currently on offer. Although we enter the year as cautious about the overall investment environment as we've been in the last decade, we remain enthusiastic about the portfolio's prospects going forward. Whereas overall equity returns were driven by multiple expansion rather than underlying earnings growth last year, our portfolio of businesses continued to grow earnings and cash flow at rates well in excess of the broader market. We will continue to focus on rotating the portfolio in a disciplined manner to companies that we believe can sustain growth in an increasingly turbulent global economy, at moments when their share prices offer a superior risk/reward profile to the market as a whole.

The Fund seeks to generate attractive returns over time but does not attempt to mirror a benchmark or index. The composition of the MSCI EAFE Index is materially different than the Fund's holdings.

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.

Foreign 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.

Asset allocation decisions, particularly large redemptions, made by BBH&Co., whose discretionary investment advisory 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.

Select Equity Group, L.P. acts as the sub-adviser to the Fund.

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.

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