

# BBH Luxembourg Funds - BBH Core Select

Monthly Fund Update / May 2017

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In May 2017, BBH Luxembourg Funds - Core Select Class I ("Core Select" or "the Fund") rose 2.31% compared to the S&P 500 Index which returned 1.41%. Our top contributor was Zoetis, while our bottom performer was Liberty Global. We initiated a position in Sabre Corporation ("Sabre") and exited our position in Progressive as the shares achieved our intrinsic value estimate.

Zoetis shares rose on strong reported results for Q1 2017. We continue to view Zoetis as being very well positioned as a leader in the animal health industry with a diverse, high-quality portfolio of products. We have a favorable view of the industry given that is largely shielded from issues affecting human healthcare, such as pricing pressure and reimbursement challenges.

Liberty Global declined meaningfully following a reduction in its operating cash flow guidance stemming primarily from a slowdown in its new-build project as well as pricing and cost pressures in the UK. Management announced that the build-out of new homes will slow in the near-term as new project managers assess the progress. As such, the company is unlikely to complete the project by its prior target of 2019. Nevertheless, we remain focused on the long-run merits of the project and the company's ability to generate strong free cash flow going forward.

Sabre operates two distinct businesses in the structurally attractive travel market: 1) Travel Network, a leading global distribution system (GDS) for travel suppliers, and 2) Airline & Hospitality Solutions, a leading software supplier to air carriers and hotels. Sabre is the GDS industry market leader in the Americas and Asia and holds the #1 or a close #2 position in key travel software categories. Sabre has a loyal customer base with greater than 91% recurring revenues and possesses important competitive advantages including network effects in GDS and switching costs in both businesses<sup>1</sup>. We believe these qualities will allow Sabre to generate strong returns and free cash flow over the long term.

<sup>1</sup> Sabre presentation as of November 10, 2016 and 10-K SEC filing for 2016 dated February 17, 2017.

Performance								
	Total Returns				Average Annual Total Returns			
	1 Mo.*	3 Mo.*	6 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	Since Inception
<b>As of 31/05/2017</b>								
<b>BBH Core Select (Class I)</b>	2.31%	3.68%	9.85%	8.93%	13.21%	5.60%	11.52%	13.11%
<b>BBH Core Select (Class R[i])</b>	2.30%	3.66%	9.83%	8.91%	13.19%	5.59%	11.51%	11.20%
<b>BBH Core Select (Class RN[i])</b>	2.31%	3.67%	9.84%	8.92%	13.20%	5.60%	N/A	5.95%
<b>BBH Core Select (Class X)</b>	2.26%	3.53%	9.54%	8.68%	12.58%	5.01%	N/A	10.39%
<b>BBH Core Select (Class R[i](GBP))</b>	2.32%	3.68%	9.80%	8.92%	13.15%	5.57%	N/A	8.20%
<b>BBH Core Select (Class RN[i](GBP))</b>	2.31%	3.68%	9.83%	8.92%	13.19%	5.59%	N/A	5.94%
<b>S&amp;P 500</b>	1.41%	2.57%	10.81%	8.66%	17.47%	10.14%	15.42%	15.41%
<b>As of 31/03/2017</b>								
<b>BBH Core Select (Class I)</b>	-0.49%	4.55%	6.33%	4.55%	10.25%	4.85%	9.53%	12.83%
<b>BBH Core Select (Class R[i])</b>	-0.50%	4.54%	6.31%	4.54%	10.24%	4.85%	9.53%	10.73%
<b>BBH Core Select (Class RN[i])</b>	-0.50%	4.53%	6.31%	4.53%	10.24%	N/A	N/A	4.81%
<b>BBH Core Select (Class X)</b>	-0.55%	4.40%	6.02%	4.40%	9.63%	4.27%	N/A	9.84%
<b>BBH Core Select (Class R[i](GBP))</b>	-0.50%	4.53%	6.30%	4.53%	10.17%	4.82%	N/A	7.44%
<b>BBH Core Select (Class RN[i](GBP))</b>	-0.50%	4.53%	6.31%	4.53%	10.22%	N/A	N/A	4.81%
<b>S&amp;P 500</b>	0.12%	6.07%	10.12%	6.07%	17.17%	10.37%	13.30%	15.40%
<b>Class I, Class R[i], Class RN[i], Class R[i](GBP), Class RN[i](GBP) Ongoing Charges: 1.15%</b>							<b>All performance is net of fees</b>	
<b>Class X Ongoing Charges: 1.70%</b>							Sources: BBH & Co. and S&P	
* Returns are not annualized.								
The Class RA is a new share class with a limited operating history.								
<b>Past performance is not a reliable indicator of future results.</b> The past performance excludes the entry and exit charges. The ongoing charges figure is based on actual expenses for the year ending December 2016. This figure may vary from year to year. It excludes portfolio transaction costs. The entry charge is 5% of the initial price or subscription price. Fund shares redeemed within 30 days of purchase may be subject to an exit charge of 2%. The entry and exit charges shown are maximum figures. In some cases you may pay less. Past Performance has been calculated in USD. Performance can be increased or reduced as a result of currency fluctuations.								
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.								

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Share Class Overview  
As of 31 May 2017

	ISIN	Inception Date	Total Net Assets (mil)	NAV	Upside/Downside Capture <sup>1</sup>
<b>Class I</b>	LU0407242659	28/01/2009	\$456.3	\$27.930	79.2% / 93.1%
<b>Class R[i]</b>	LU0527403801	21/10/2011	\$91.4	\$18.138	79.2% / 93.1%
<b>Class RN[i]</b>	LU0952053642	02/05/2014	\$15.3	\$11.948	
<b>Class X</b>	LU0643341406	10/07/2012	\$19.2	\$16.220	
<b>Class RA</b>	LU1545470616	05/04/2017	\$188.9	\$25.477	
<b>Class R[i](GBP)</b>	LU0861823945	28/03/2013	£4.2	£16.354	
<b>Class RN[i](GBP)</b>	LU0952054293	02/05/2014	£17.4	£15.616	

<sup>1</sup> 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 31 May 2017	
Common Stock	89.7%
Cash and Cash Equivalents	10.3%
<b>Total</b>	<b>100.0%</b>

Fund Facts As of 31 May 2017	
Total Net Assets (mil)	\$799.1
Net Assets USD (mil)	\$771.2
Net Assets GBP (mil)	£21.6
Number of Securities Held	28
Average P/E	21.1
Average Market Cap (bil)	\$140.9
Turnover (Rolling 12-Months)	16.70%
Excludes cash equivalents.	

Sector Weighting As of 31 May 2017	
Consumer Discretionary	16.9%
Consumer Staples	11.2%
Energy	0.0%
Financials	18.0%
Health Care	15.0%
Industrials	4.1%
Information Technology	29.4%
Materials	5.4%
Real Estate	0.0%
Telecommunication Services	0.0%
Utilities	0.0%
<b>Total</b>	<b>100.0%</b>
Reported as a percentage of portfolio securities.	

Top 10 Companies As of 31 May 2017	
Oracle Corp	6.8%
Comcast Corp	6.8%
Berkshire Hathaway Inc	6.5%
Alphabet Inc	5.9%
US Bancorp	5.0%
Novartis AG	4.8%
PayPal Holdings Inc	4.7%
Wells Fargo & Co	4.7%
Zoetis Inc	4.2%
FleetCor Technologies Inc	3.2%
<b>Total</b>	<b>52.7%</b>
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.

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.

Class RA, I, R[i], X, R[i](GBP) are accumulating share classes and have no distributions. Any income will automatically be included in the value of your investment.

RISKS

The value of the Fund fluctuates as the value of the underlying shares in which it invests fluctuate. The Fund is subject to equity risk, in that its investments in shares are subject to market risks that may cause their prices to fluctuate over time. This can affect the value of your investment. Political and economic changes as well as changes in the company in which the Fund invests may also affect the value of your investment.

The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

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.

**Risk factors are described in more details in the Fund's prospectus.**

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## Other Important Disclosures

Brown Brothers Harriman & Co. ("BBH"), a New York limited partnership, was founded in 1818 and is the promoter and investment manager of the Fund. BBH also acts as the principal distributor of the Fund. BBH Luxembourg Funds (the "Company") is a Luxembourg-registered Société d'Investissement à Capital Variable - undertaking for collective investment in transferrable securities (SICAV-UCITS) regulated by the Commission de Surveillance du Secteur Financier ("CSSF"), the Luxembourg financial services authority. The SICAV designated FundRock Management Company S.A. to serve as its designated management company in accordance with Chapter 15 of the Luxembourg Law of 17th December 2010; FundRock Management Company S.A. was incorporated on 10 November 2004 for an unlimited duration under the laws of Luxembourg and registered on the official list of Luxembourg management companies.

BBH has prepared this communication for use on a confidential and limited basis solely for the information of those to whom it is transmitted and is not to be reproduced or used for any other purpose. This communication, that constitutes a marketing communication, is intended to be a general update of the Fund and does not constitute an offer to sell, or a solicitation of an offer to purchase, any interest in the Fund or any other investment product in any jurisdiction where such offer or solicitation is not lawful, where marketing to the intended recipient is prohibited or where the person making such offer or solicitation is not qualified to do so.

Subscriptions will only be received and shares issued on the basis of the current prospectus of the Company (the "Prospectus") and applicable Key Investor Information Documents of the Fund (the "KIIDs"). Investment in this Fund entails risks which are described in more detail in the Prospectus and the KIIDs. Investors should obtain and read a copy of the Prospectus and the KIIDs before investing. Exit Charges are payable to the Fund and not BBH. For a copy of the Prospectus and the KIIDs, in English, French, Spanish, German or Italian, please contact the Company's representative or its local distributor, or access the following site: [www.bbhluxembourg-funds.com](http://www.bbhluxembourg-funds.com). The contact details of the Company's representatives in the countries where the Company is registered are provided below in the section for each country.

The Company complies with the European Directive 2009/65/EC on undertaking for collective investment in transferable securities (UCITS), dated 13 July 2009, which established a set of common rules in order to permit the cross border marketing of collective investment schemes. Unauthorized distribution, reproduction or redistribution of this document without the prior written permission of the Company is prohibited. This document is issued in the United Kingdom by Brown Brothers Harriman Investor Services Limited, which has approved its content, and which is authorized and regulated by the UK Financial Conduct Authority. Potential investors in the Fund should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of shares of the Fund.

Neither the Fund nor any of its shares have been registered, nor will be registered, under the U.S. Investment Company Act of 1940, as amended, or the U.S. Securities Act of 1933, as amended, and, as such, may not be offered or sold directly or indirectly in the United States or to a U.S. person.

**This document is directed only at persons/entities who are professional clients or eligible counterparties in the European Union/European Economic Area pursuant to the Markets in Financial Instruments (MiFID) Directive 2004/39/EC and must not be relied upon by any other person.**

### For Prospective Investors Domiciled in France:

**The Fund received an authorization for marketing in France from the Autorité des Marchés Financiers (AMF) on 28 September 2012. The representative agent of the Fund in France is Société Générale, 189, rue d'Aubervilliers, 75886 Paris Cedex 18, France (Sophie Platter - Tel : +33.(0)1.58.98.77.82).**

### For Prospective Investors Domiciled in Germany:

**The Fund is duly registered with the German Federal Financial Supervisory Authority, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). The representative agent of the Fund in Germany is Société Générale (Dejan Djurdjevi - Tel.: +49 (0) 69 7174 497).**

### For Prospective Investors Domiciled in Italy:

**The content of this document does not constitute an offer of the Company, the Fund, or its shares, or an invitation to offer, in accordance with any applicable law and regulation in Italy. The Fund is duly registered and the Prospectus and the KIIDs have been filed with the Commissione Nazionale per le Società e la Borsa (CONSOB). The representative agent of the Fund in Italy is BNP Paribas Securities Services, BNP Paribas Securities Services, Via Ansperto, 5 Milano 20123, Italy (Luca LOMBARDI - Tel : +39.02.7247.4129).**

### For Prospective Investors Domiciled in Luxembourg:

**The Company's address in Luxembourg is 80, Route D'Esch, L-1470 Luxembourg, Grand Duchy of Luxembourg (Tel.: +1-800-625-5759).**

### For Prospective Investors Domiciled in Spain:

**The Company is duly registered with the Comisión Nacional del Mercado de Valores ("CNMV") on the official register of foreign collective investment schemes marketed in Spain under number 1122. The Fund is one of the compartments of the Company included within such registration reference number. An updated list of distributors in Spain can be consulted at [www.cnmv.es](http://www.cnmv.es). Prior to subscribing for shares of the Fund, you shall be provided with the Prospectus, the applicable KIIDs, but also a copy of the latest published financial report and a copy of the report on the planned types of marketing in Spain. The representative agent of the Fund in Spain is Société Générale, Cardenal Marcelo Spinola 8, 28016 Madrid, Spain (Sally Matthews - Tel : +34 915 89 38 66).**

### For Prospective Investors Domiciled in the UK:

**The Fund is duly registered with the UK Financial Conduct Authority. The representative agent of the Fund in the UK is BBH ISL Tel: +44-207-614-2113.**

Additional information regarding the Fund including investment positions is available upon request.