

BBH Core Select - U.S. Large Cap

Monthly Strategy Update / May 2019

In May 2019, BBH Core Select Composite ("Core Select" or "the Strategy") declined by -3.76%, which compared to a loss of -6.35% for the S&P 500 Index. Our top performer in the month was Copart and our largest detractor was Berkshire Hathaway.

Copart reported 3Q19 financial results that exceeded our expectations for revenue, gross profit, and operating income. Investors reacted very positively to the report as the trends that have supported several years of strong growth for the business and industry appear to remain on track. Growth in the quarter resulted from organic expansion of the auto salvage industry, market share gains, and growth in the non-insurance market. Volumes related to storms and natural disasters did not materially impact the quarter's results. The core business continues to benefit from elevated levels of accidents due to distracted driving and higher total loss frequency (which now stands at 19.9% of all accidents) as increasing repair costs are leading to vehicles being more readily deemed a total loss, despite minimal damage. We expect that these trends will continue over the medium term and that Copart will leverage its size and scale to strengthen its position within the industry.

While equity market weakness has weighed on Berkshire Hathaway's share price, the company reported strong 1Q19 operating results in May with each of its key units contributing to that upside. Operating earnings totaled \$5.6 billion, up 5% year-over-year. This growth came despite transient factors which in aggregate reduced earnings by over \$500 million. One of those factors was the absence of earnings from Kraft Heinz (KHC) which has not yet filed its 10-K or reported Q1 earnings. In 1Q18, KHC had contributed \$234 million to operating earnings. GEICO's results were particularly strong, featuring solid profitability and accelerating growth in premiums and policies in force. Having now improved its combined ratios, GEICO is again pressing more aggressively for growth. We believe that fundamentals in the auto insurance industry remain favorable and GEICO continues to take profitable share. Pricing in the commercial insurance lines in which Berkshire also competes is becoming more favorable which bodes well for future profitability and growth across the company's platforms.

Performance								
As of 05/31/2019	Total Returns			Average Annual Total Returns				Since Inception
	1 Mo.*	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	
BBH Core Select Composite (Gross of Fees)	-3.76%	1.98%	12.13%	9.39%	9.97%	7.39%	13.31%	9.81%
BBH Core Select Composite (Net of Fees)	-3.85%	1.72%	11.68%	8.31%	8.89%	6.33%	12.20%	8.73%
S&P 500	-6.35%	-0.67%	10.74%	3.78%	11.72%	9.66%	13.95%	8.33%
As of 03/31/2019	1 Mo.*	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
BBH Core Select Composite (Gross of Fees)	1.56%	11.68%	11.68%	8.38%	10.44%	7.79%	14.59%	9.91%
BBH Core Select Composite (Net of Fees)	1.48%	11.41%	11.41%	7.38%	9.44%	6.79%	13.59%	9.04%
S&P 500	1.94%	13.65%	13.65%	9.50%	13.51%	10.91%	15.92%	8.64%

* Returns are not annualized.

Sources: BBH & Co. and S&P

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.

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.

Representative Account Equity Weighting As of May 31, 2019	
Common Stock	98.3%
Cash and Cash Equivalents	1.7%
Total	100.0%

Representative Account Portfolio Characteristics As of May 31, 2019	
Composite Assets (mil)	\$2,402.3
Number of Securities Held	29
Average P/E	20.8
Average Market Cap (bil)	\$122.6
Turnover (Rolling 12-Months)	17.06%
Exclude cash equivalents	

Composite Risk Statistics As of May 31, 2019	
Beta	0.78
Alpha	1.62%
Tracking Error	4.92%
Upside / Downside Capture	85.3% / 82.4%
Risk statistics are reported gross of fees and are based on trailing 60 months	

Representative Account Sector Weighting As of May 31, 2019	
Communication Services	13.7%
Consumer Discretionary	2.7%
Consumer Staples	16.6%
Energy	0.0%
Financials	15.5%
Health Care	14.6%
Industrials	10.3%
Information Technology	20.4%
Materials	6.3%
Real Estate	0.0%
Utilities	0.0%
Total	100.0%
Reported as a percentage of portfolio securities.	

Representative Account Top 10 Companies As of May 31, 2019	
Alphabet Inc	7.2%
Berkshire Hathaway Inc	6.8%
Oracle Corp	6.8%
Comcast Corp	6.2%
FleetCor Technologies Inc	5.6%
US Bancorp	5.3%
Copart Inc	4.7%
Novartis AG	4.3%
Zoetis Inc	3.9%
Diageo Plc	3.8%
Total	54.8%
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.

Contribution figures are presented gross of fees and do not include cash and cash equivalents.

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

The strategy is 'non-diversified' and may assume large positions in a small number of issuers which can increase the potential for greater price fluctuation.

Data presented is that of a single representative account ("Representative Account") that invests in the strategy. It is the account whose investment guidelines allow the greatest flexibility to express active management positions. It is managed with the same investment objectives and employs substantially the same investment philosophy and processes as the proposed investment strategy.

For purpose of complying with the GIPS® standards, the firm is defined as Brown Brothers Harriman Investment Management ("IM"). IM is a division of Brown Brothers Harriman & Co. ("BBH"). IM claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions of IM and/or a presentation that complies with the GIPS standards, contact Craig Schwalb at (212) 493-7217, or via email at craig.schwalb@bbh.com.

Gross of fee performance results for this composite do not reflect the deduction of investment advisory fees. Actual returns will be reduced by such fees. "Net" of fees performance results reflect the deduction of the maximum investment advisory fees. Performance calculated in U.S. dollars.

The Composite is a fully discretionary, fee-paying accounts over \$5 million that invest in a portfolio of approximately 20-30 companies with market capitalizations greater than \$5 billion that are headquartered in North America, as well as in certain global firms located in other developed regions. This strategy is benchmarked to the S&P 500 Index.

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