

BBH Core Select - U.S. Large Cap

Monthly Strategy Update / July 2019

In July 2019, BBH Core Select Composite (“Core Select” or “the Strategy”) rose 1.35%, which compared to a gain of 1.44% for the S&P 500 Index. One of our top performers in the month was KLA Corp (“KLA”) and our largest detractor was Allegion.

KLA’s strong July performance was partly driven by recent results from competitors indicating a healthier industry than expected and partly by improved market sentiment regarding elements of the trade impasse between the U.S. and China. Trade war rhetoric has been a recurring headwind for sentiment in semiconductors and semiconductor-capital equipment businesses, and developments in July suggested the possibility of decreasing tension. Given KLA’s dominant position within the process control and inspection niche and the necessity of its products to China’s efforts to develop a native semiconductor industry, we believe the company is insulated from the direct effects of tariffs but expect the share price of KLA will remain subject to volatility driven by news flow.

Allegion recorded solid Q2 results in July, though adjusted Q2 earnings per share (EPS) fell short of consensus expectations. Year-over-year organic revenue growth of 3% was more modest in Q2 in comparison to Q1 though Allegion noted that it continues to see healthy fundamentals, particularly in Americas non-residential end markets. The ongoing secular shift to electronic locks and other electronic products remains a growth driver for Allegion. We believe Allegion’s strong competitive position and pricing power as a seller of highly valued essential products as well as its continuous productivity efforts will allow the company to continue to improve operating margins and earn and compound high economic profits at attractive rates.

During the month, we sold our positions in Kroger and Wells Fargo and initiated a new position in A.J. Gallagher (“AJG”), one of the world’s leading insurance brokerages with significant scale and extensive operational experience in each of its business lines. AJG participates in an industry that is a rational oligopoly with demonstrated pricing power, and it has a history of strong organic and inorganic growth along with high rates of customer retention and recurring revenues. AJG is capital efficient and cash generative, and we believe it has a strong management team and corporate culture.

Performance								
	Total Returns			Average Annual Total Returns				
As of 07/31/2019	1 Mo.*	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
BBH Core Select Composite (Gross of Fees)	1.35%	3.97%	21.14%	10.93%	11.95%	9.23%	13.25%	10.30%
BBH Core Select Composite (Net of Fees)	1.27%	3.71%	20.46%	9.84%	10.85%	8.15%	12.14%	9.22%
S&P 500	1.44%	1.69%	20.24%	7.99%	13.36%	11.34%	14.03%	8.87%
As of 06/30/2019	1 Mo.*	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
BBH Core Select Composite (Gross of Fees)	6.59%	7.03%	19.52%	14.34%	12.56%	8.45%	13.93%	10.26%
BBH Core Select Composite (Net of Fees)	6.51%	6.77%	18.95%	13.22%	11.45%	7.38%	12.81%	9.18%
S&P 500	7.05%	4.30%	18.54%	10.42%	14.19%	10.71%	14.70%	8.81%

* 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 July 31, 2019	
Common Stock	95.5%
Cash and Cash Equivalents	4.5%
Total	100.0%

Representative Account Portfolio Characteristics As of July 31, 2019	
Composite Assets (mil)	\$2,604.9
Number of Securities Held	28
Average P/E	22.7
Average Market Cap (bil)	\$126.4
Turnover (Rolling 12-Months)	18.13%
Exclude cash equivalents	

Composite Risk Statistics As of July 31, 2019	
Beta	0.78
Alpha	2.12%
Tracking Error	4.90%
Upside / Downside Capture	86.1% / 81.3%
Risk statistics are reported gross of fees and are based on trailing 60 months	

Representative Account Sector Weighting As of July 31, 2019	
Communication Services	13.8%
Consumer Discretionary	2.7%
Consumer Staples	15.0%
Energy	0.0%
Financials	15.2%
Health Care	15.1%
Industrials	10.5%
Information Technology	20.9%
Materials	6.9%
Real Estate	0.0%
Utilities	0.0%
Total	100.0%
Reported as a percentage of portfolio securities.	

Representative Account Top 10 Companies As of July 31, 2019	
Alphabet Inc	7.2%
Oracle Corp	6.9%
Berkshire Hathaway Inc	6.5%
Comcast Corp	6.0%
US Bancorp	5.6%
FleetCor Technologies Inc	5.0%
Copart Inc	4.7%
Novartis AG	4.2%
Zoetis Inc	4.1%
Linde PLC	3.6%
Total	53.7%
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. Time Weighted Rate of Return is used to determine performance of a portfolio in a Composite. A portfolio's rate of return is the percentage change from the beginning balance to the ending balance of the period. Capital changes as well as dividends and other income earned during a period are included in the ending balance. Any reinvestment of dividends or other income will be reflected in the beginning balance of the following period. Sub-periods returns are linked to calculate a portfolio return for the period. 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 25-35 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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