# BBH Income Fund

*Quarterly Fund Update / 1Q 2023*

### 1Q Highlights

- With the intra-quarter volatility in credit spreads, we bought some attractively priced new credits in both the primary and secondary markets, increased existing positions, and revisited credits that re-entered our buy zone.
- Fixed income indexes gained during the quarter, as longer-term rates declined. Spreads of bonds issued by banks widened, but excess returns in the broader corporate debt markets were positive.
- Away from the corporate credit markets, we are finding an abundance of attractively valued opportunities in the structured credit markets.

Performance as of March 31, 2023

| | Total Returns | | Average Annual Total Returns | | | | |
|---|---|---|---|---|---|---|---|
| Fund/Benchmark | 3 Mo | YTD | 1 Yr. | 3 Yr. | 5 Yr. | 10 Yr. | Since Inception |
| BBH Income Fund Class I | 3.73% | 3.73% | -5.35% | 0.86% | N/A | N/A | 2.47% |
| Bloomberg US Aggregate Index | 2.96% | 2.96% | -4.78% | -2.77% | N/A | N/A | 0.97% |
| *Relative to Class I* | *0.77%* | *0.77%* | *-0.57%* | *3.63%* | *N/A* | *N/A* | *1.50%* |

Class I Inception: 6/27/2018
Class I: Net/Gross Expense Ratio (%) 0.47 / 0.47
Returns of less than one year are not annualized

**Performance data quoted represents past performance. 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 redeemed, may be worth more or less than the original cost. For performance current to the most recent month-end please call 1-800-625-5759.**

The investment adviser has contractually agreed to limit the Total Annual Fund Operating Expenses for Class I Shares to 0.50% through March 1, 2024. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund's Board of Trustees (the "Board").

Sources: Bloomberg and BBH & Co.

## Market Environment

Unrelenting monetary policy tightening amid continued strong economic growth lifted rates to cyclical highs early in the quarter until a run on Silicon Valley Bank (SVB) changed the trajectory of rates and prospective monetary policy. To quell depositor concerns about a wider swath of bank runs, the Federal Reserve and Federal Deposit Insurance Corporate (FDIC) initiated several programs and plans in early March. The FDIC assured full access to uninsured deposits at SVB and Signature Bank. The Fed introduced a new Bank Term Funding Program (BTFP) allowing banks to pledge U.S. Treasuries, agency debt, agency mortgage-backed securities (MBS), and other qualifying assets – valued at full face value (par) rather than market value – as collateral for loans.

The Fed has stated that they will separate "financial stability" measures from monetary policy moves. The U.S. Fed hiked the target range of the federal funds rate by 0.25% only 12 days after SVB's failure. Investors now believe that the Fed's rate hiking campaign ended as the banking crisis unfolded, and three cuts of 25 basis points[1] will unfold by the end of 2023.

Fixed income indexes gained during the quarter as longer-term rates declined (see Exhibit I). Spreads of bonds issued by banks widened, but excess returns in the broader corporate debt markets (investment grade bonds, senior bank loans, and high yield bonds) were positive. Indexes of nontraditional asset backed securities (ABS)[2] and collateralized loan obligation (CLO) debt outperformed during the quarter. Agency MBS and commercial mortgage-backed securities (CMBS) underperformed during the quarter. U.S. dollar denominated emerging market bonds also lagged during the quarter.

**Exhibit I: Fixed Income Indexes Returns**

| Index | Duration (Years) | Total Return (%) QTD | Total Return (%) 1 Year | Excess Return (%) QTD | Excess Return (%) 1 Year |
|---|---|---|---|---|---|
| Morningstar LSTA Leveraged Loan Index[1] | 0.3 | 3.25 | 2.54 | 2.14 | -0.06 |
| JPM CLO Index[1] | 0.3 | 1.98 | 2.47 | 0.86 | -0.13 |
| Bloomberg ABS Index | 2.8 | 1.86 | 0.37 | -0.05 | -0.05 |
| JPM Other ABS Index[2] | 3.5 | 2.66 | -2.25 | 0.28 | 0.30 |
| Bloomberg U.S. Corporate High Yield Index | 3.7 | 3.57 | -3.34 | 1.23 | -1.89 |
| Bloomberg Non-Agency CMBS Index | 4.0 | 1.03 | -4.73 | -1.33 | -2.76 |
| Bloomberg Intermediate Corporate Index | 4.1 | 2.50 | -1.99 | 0.12 | -0.03 |
| Bloomberg U.S. TIPS Index | 5.0 | 3.34 | -6.06 | -- | -- |
| Bloomberg MBS Index | 5.9 | 2.53 | -4.85 | -0.50 | -2.15 |
| Bloomberg EM USD Aggregate Index | 6.2 | 2.15 | -4.64 | -0.84 | -0.40 |
| Bloomberg U.S. Treasury Index | 6.3 | 3.01 | -4.51 | -- | -- |
| **Bloomberg Aggregate Index** | 6.3 | 2.96 | **-4.78** | **-0.09** | **-0.55** |
| Bloomberg U.S. Corporate Index | 7.2 | 3.50 | -5.55 | 0.20 | 0.27 |
| Bloomberg Taxable Municipal Index | 9.9 | 5.40 | -7.47 | 1.22 | 1.06 |
| Bloomberg Long Corporate Index | 13.2 | 5.45 | -11.46 | 0.34 | 0.83 |

**Past performance is no guarantee of future results**

Unless otherwise noted Excess Returns is the returns in excess of duration matched Treasuries.

[1] Excess return computed by BBH as total return less the return of the Bloomberg 3 Month T-Bill Bellwether Index, a proxy for the duration profile of floating-rate leveraged loans and the CLO Index.

[2] Excess return computed by BBH as total return less the return of the Bloomberg 5 Year Treasury Bellwether Index, a proxy for the duration profile of the JPM Other ABS Index.

Data reported as of March 31, 2023

Sources: Morningstar, JPM, Bloomberg, and BBH Analysis

## Valuations

Credit valuations remain broadly appealing. According to our valuation framework[3], 47% of investment-grade corporate bonds screened as a "buy," 47% of high yield corporate bonds screened as a "buy," and 95% of bank loans screened as a "buy." These figures increased from their respective levels at the start of the year, when 36% of investment-grade corporate bonds, 46% of high yield corporate bonds, and 80% of bank loans screened as a "buy."

Away from the corporate credit markets, we are finding an abundance of attractively valued opportunities in the structured credit markets, particularly among non-traditional ABS issuances, floating-rate[4] single-asset, single-borrower (SASB) CMBS, and collateralized loan obligation (CLO) debt.

We continue to avoid agency MBS and non-agency residential mortgage-backed securities (RMBS) due to unattractive valuations. In addition, conditions facing each sector may create volatility. Agency MBS faces the Fed's quantitative tightening program where it is tapering its purchases of MBS. Non-agency RMBS is tied up with regional banks' exposures, as regional banks own an estimated 30% of the market. Deposit outflows at regional banks could place forced selling pressures and price volatility on non-agency RMBS. Away from the residential mortgage markets, we continue to avoid emerging markets credits due to concerns regarding creditor rights in most countries.

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

[2] Traditional ABS include prime auto backed loans, credit cards and student loans (FFELP). Non-traditional ABS include ABS backed by other collateral types.

[3] Our valuation framework is purely quantitative screen for bonds that may offer excess return potential, primarily from mean revision in spreads. When the potential excess return is above a specific hurdle rate, we label them "Buys" (others are "Holds" or "Sells"). These ratings are category.

[4] An interest rate which is adjusted periodically according to change in an underlying interest rate index such as London Interbank Offering Rate (LIBOR).

### Exhibit II: Outlook by Sector

| Sector | Outlook | Positioning |
|---|---|---|
| **Reserves** | | |
| U.S. Treasuries/Futures/Reserves | Hold when attractive credits unavailable | Held to balance yield curve and duration exposures |
| Government-Related | Unattractive valuations; better opportunities elsewhere | No positions in portfolios |
| Municipal | Valuations of select municipals are attractive for inclusion in taxable portfolios | Holdings include transportation revenue bonds |
| **Structured Credit** | | |
| US MBS | Valuations are weak and Fed is tapering purchases | No positions in portfolios |
| RMBS | Continued credit and valuation concerns | No positions in portfolios |
| CMBS | Traditional conduits unattractive, select nontraditional SASB attractive | Hold positions in fixed- and floating-rate SASB CMBS deals |
| ABS | Traditional segments unattractive, select nontraditional segments attractive | Hold positions in 20 nontraditional segments that offer attractive yields and demonstrable durability |
| **Corporate Credit** | | |
| IG Corporate Bonds | Find value in short and intermediate index-eligible bonds and select nontraditional bonds | Holdings include intermediate maturity credits issued by banks, business development companies, and property and casualty insurers |
| Senior Bank Loans | Rich opportunity set of attractively valued opportunities | Holdings are diversified and include credits issued by healthcare, airlines, and pharmaceutical companies |
| HY Corporate Bonds | Just under half of universe screens as "buy" with most being bonds of smaller issuers | Holdings are diversified and include credits issued by midstream energy and electric utilities |
| **Other Credit** | | |
| Emerging Markets | Concerns remain about creditor rights in most emerging market countries | No positions in portfolios |

As of March 31, 2023. Portfolio holdings and characteristics are subject to change.
MBS = Mortgage-Backed Securities; RMBS = Residential Mortgage-Backed Securities; CMBS = Commerical Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield; SASB = Single-Asset, Single-Borrower
Source: BBH Analysis

## Performance

Sector allocation had the largest impact on outperformance, with contributions stemming from the portfolio's overweight to ABS, bank loans, and high yield corporate bonds and its corresponding underweight to agency MBS (see Exhibit III).

The portfolio's duration and yield curve profile contributed to results during the quarter. Agency MBS was not owned in the portfolio but carries a significant weight in the Index. Agency MBS has negative convexity, and its duration fell as interest rates declined and volatility spiked. We manage the portfolio's duration to replicate the Index's duration as transactions occur – not to changes in the Index's day-to-day duration swings – and this contributed as the portfolio's duration was stable but slightly longer than the Index's while interest rates fell.

### Exhibit III: Fund Attribution

| | Average Weight (%) | | | Contribution (Basis Points - Gross) | | |
|---|---|---|---|---|---|---|
| | Portfolio | Benchmark | Active | Rates | Sector | Selection |
| Total Portfolio | 100 | 100 | 0 | 25 | 58 | 4 |
| US Treasury | 13.0 | 40.8 | -27.8 | | 0 | 0 |
| Cash and Reserves | 0.5 | 0.0 | 0.5 | | 0 | 0 |
| Government-Related | 0.0 | 5.1 | -5.1 | | -1 | 0 |
| Municipal | 0.9 | 0.0 | 0.9 | | 0 | -1 |
| US MBS | 0.0 | 27.5 | -27.5 | | 13 | 0 |
| CMBS | 5.8 | 1.8 | 4.0 | | -4 | 8 |
| ABS | 18.0 | 0.4 | 17.6 | | 12 | 0 |
| IG Corporate Bonds | 40.2 | 24.4 | 15.8 | | -10 | -6 |
| Senior Bank Loans | 15.2 | 0.0 | 15.2 | | 35 | -6 |
| HY Corporate Bonds | 6.3 | 0.0 | 6.3 | | 12 | 9 |

**Past performance is no guarantee of future results**
Contribution figures are presented gross of fees
Data reported quarterly from December 31, 2022 to March 31, 2023
Basis point or "bp" is 1/100th of a percent (0.01% or 0.0001)
MBS = Agency Residential Mortgage-Backed Securities; RMBS = Non-Agency Residential Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield
Sources: BBH Analysis

Selection results were also positive during the quarter, and the results were driven by outperformance in high yield corporate bonds and CMBS. Selection in investment-grade corporate bonds detracted, as positions in banks underperformed during the quarter, although the portfolio had no exposures to debt issued by SVB, Signature Bank, or Credit Suisse, and exposures within regional banks were minimal.

### Transaction Summary

With the intra-quarter volatility in credit spreads, we were able to buy some attractively priced new credits in both the primary and secondary markets, increase existing positions, and revisit credits that re-entered our buy zone. The new opportunities came from a broad range of industries as the volatility was not contained to just one idiosyncratic sector. Descriptions of a few notable portfolio additions are included below.

**F&G Global Funding** is a life insurance company specializing in annuities and is owned by Fidelity National Financial. The company has strong capital ratios, low leverage, and a predictable liability structure. The new issue 5-year investment-grade rated BBB- notes offered a spread of 370 bps over Treasuries. We purchased **Blackstone Mortgage Trust**, the second largest publicly traded mortgage real estate investment trust (REIT) which has a diverse mortgage portfolio, varied funding sources and a strong history of underwriting performance. The discounted 4-year secured BB rated notes were purchased at a spread of 395 bps over Treasuries. We purchased bonds issued by **HSBC, Intel, Dell Technologies,** and **Charter Communications** as more attractive pricing emerged for these durable credits[5].

**MCFCL 2023-1A C** is an A rated tranche of a middle-market CLO from **Madison Capital Management**, a wholly owned subsidiary of New York Life. The Class C note subordination protection is solid, and it came offered at a spread of 420 bps over SOFR[6].

**AESOP 2023-4A A** is a AAA rated tranche of a rental fleet ABS from **Avis Budget Rental Car Funding AESOP LLC**. With strong subordination protection and demonstrated durability through the challenges of COVID, we purchased the notes, with an expected weighted average life of 5 years, at a spread of 190 bps over Treasuries.

**NFMOT 2023-1A A2** is a AAA rated tranche of an auto floorplan ABS from **NextGear Capital**, a subsidiary of the Cox Automotive group of companies. With strong structural protections, very low historical losses, high asset recoveries, and strong management, we purchased the A2 notes at a spread of 110 bps over Treasuries with an expected 3 years average life.

We purchased **COLO 2023-1A A2**, a data center ABS deal brought by **DataBank**. DataBank's core business is colocation, the leasing of space, power, and cooling to high quality tenants under multi-year contracts. The A2 notes have a 5-year expected life, are rated A- with 2.65x debt coverage ratio for contracted cash flows and came at a spread of 295 basis points over Treasuries. **Vantage Data Center** brought **VDC 2023-1A**, a data center ABS deal, to market during the quarter, and we purchased the A- rated A2 notes at a spread of 286 bps to Treasuries. Vantage is managed by seasoned executives in the internet infrastructure industry, and there is strong growth and demand for leasing hyperscale data centers from cloud computing, software as a service, and information technology outsourcing. The notes carry a strong debt service coverage ratio with long-term, contractual leases.

### Characteristics

At the end of the month, the Fund's duration was 6.2 years and continued to approximate that of its benchmark (see Exhibit IV). High yield investments represented 17.5%, were comprised primarily of credits rated "BB," and consisted of a blend of corporate bonds and loans. The Fund's yield to maturity was 6.8% and remained elevated versus bond market alternatives. The Fund's option-adjusted spread (OAS) was 302 basis points; for reference, the Bloomberg U.S. Corporate Index's OAS was 138 basis points at month-end.

[5] Obligations such as bonds, notes, loans, leases, and other forms of indebtedness, except for cash and cash equivalents, issued by obligors other than the U.S. Government and its agencies, totaled at the leveled of the ultimate obligor or guarantor of the Obligation. Durable means the ability to withstand a wide variety of economic conditions.

[6] SOFR=Secured Overnight Financing Rate, which is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

### Exhibit IV: Fund Characteristics

**Portfolio Characteristics**

| | Portfolio | Benchmark | Active |
|---|---|---|---|
| Effective Duration (Years) | 6.22 | 6.28 | 99% |
| Spread Duration (Years) | 3.74 | 3.69 | 102% |
| Yield to Maturity (%) | 6.81 | 4.41 | 2.40 |
| Option-Adjusted Spread (bps) | 302 | 57 | 245 |

**Credit Rating (%)**

| | Portfolio | Benchmark |
|---|---|---|
| AAA/TSY/Cash | 20.3 | 72.9 |
| AA | 8.3 | 3.1 |
| A | 25.9 | 11.2 |
| BBB | 28.0 | 12.8 |
| BB | 10.7 | 0.0 |
| B | 6.6 | 0.0 |
| CCC & Below/NR | 0.2 | 0.0 |

**Sector Allocation (%)**

| | Portfolio | Benchmark | Active |
|---|---|---|---|
| U.S. Treasury | 10.9 | 40.8 | -29.9 |
| Reserves | 1.4 | 0.0 | 1.4 |
| Government-Related | 0.0 | 5.1 | -5.1 |
| Municipal | 0.8 | 0.0 | 0.8 |
| MBS (Agency) | 0.0 | 27.3 | -27.3 |
| RMBS (Non-Agency) | 0.0 | 0.0 | 0.0 |
| CMBS | 5.4 | 1.8 | 3.7 |
| ABS | 20.1 | 0.4 | 19.6 |
| IG Corporate Bonds | 42.1 | 24.6 | 17.6 |
| Senior Bank Loans | 13.6 | 0.0 | 13.6 |
| HY Corpoate Bonds | 5.7 | 0.0 | 5.7 |

**Portfolio holdings and characteristics are subject to change**

Benchmark is the Bloomberg US Aggregate Index

Data reported as of March 31, 2023

TSY = Treausury; MBS = Mortgage-Backed Securities; RMBS Residential Mortgage-Backed Securities; CMBS = Commerical Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield

Source: BBH Analysis

## Conclusion

Volatile market conditions serve as a reminder of risks assumed, elevate certain risks to the forefront, and create opportunities for well-positioned investors. The current state of valuations and fundamentals in the credit markets suggest that careful selection will be paramount for attaining the still-attractive yields offered in the fixed income markets, particularly as volumes of new issuances are set to rebound. We remain prepared, selective, diligent, and patient in evaluating credits that come to market. We hope that this insight into the Fund's composition and performance is useful as we navigate macroeconomic uncertainties.

Sincerely,

*Andrew P. Hofer*
*Fund Co-Manager*

*Neil Hohmann, PhD*
*Fund Co-Manager*

*Paul Kunz, CFA*
*Fund Co-Manager*

*Thomas Brennan, CFA*
*Fixed Income Product Specialist*

Holdings are subject to change.

Totals may not sum due to rounding.

Credit Quality letter ratings are provided by Standard and Poor's, Moody's and Fitch and are presented as the higher of the three ratings. When a security is not rated by Standard & Poor's, Moody's or Fitch, the highest credit ratings from DBRS and Kroll may be used. Absent a rating from these agencies, we may display Private Credit Ratings, if permitted by the issuer, which could include ratings from Egan-Jones Ratings Co. Credit ratings reflect the credit quality of the underlying issues in the portfolio and not of the portfolio itself. Issues with credit ratings of BBB or better are considered to be investment grade, with adequate capacity to meet financial commitments. Issues with credit ratings below BBB are considered speculative in nature and are vulnerable to the possibility of issuer failure or business interruption.

Effective duration is a measure of the portfolio's return sensitivity to changes in interest rates.

Weighted Average Life of securities excludes US Treasury futures positions.

Yield to Maturity is the rate of return the portfolio would achieve if all purchased bonds and derivatives were held to maturity, assuming all coupon and principal payments are received as scheduled and reinvested at the same yield to maturity. This figure is subject to change and is not meant to represent the yield earned by any particular security. Yield to Maturity is before fees and expenses.

**This material is not authorized for distribution unless accompanied or preceded by a current Fund prospectus.**

**Risks**

Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

Asset-Backed Securities ("ABS") are subject to risks due to defaults by the borrowers; failure of the issuer or servicer to perform; the variability in cash flows due to amortization or acceleration features; changes in interest rates which may influence the prepayments of the underlying securities; misrepresentation of asset quality, value or inadequate controls over disbursements and receipts; and the security being structured in ways that give certain investors less credit risk protection than others.

Single-Asset, Single-Borrower (SASB) lacks the diversification of a transaction backed by multiple loans since performance is concentrated in one commercial property. SASBs may be less liquid in the secondary market than loans backed by multiple commercial properties.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

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 current Fund 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. Other products are offered by Brown Brothers Harriman.

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.

**Definitions**

BDC Corporate is computed as an equal-weighted index of corporate bonds issued by business development companies (BDCs) that BBH holds with at least one year until legal, final maturity.

ICE BofA US Corporate Index tracks the performance of USD denominated investment grade corporate debt publicly issued in the U.S. domestic market.

ICE BofA 1-5 Year US Fixed Rate CMBS Index consists of USD denominated, fixed rate commercial mortgage-backed securities (CMBS). The Index is comprised of CMBS tranches where the issues are rated investment-grade using an average of Moody's, S&P, and Fitch and have durations greater than 1 year but less than 5 years when the index is constituted. To be eligible for inclusion, CMBS issues must have a minimum original deal size of $250 million, at least $50 million current outstanding for senior tranches and $25 million for mezzanine and subordinated tranches, and at least 10% of the original deal size must be currently outstanding.

ICE BofA 1-3 Year US Treasury Index is an index of fixed rate obligations of the U.S. Treasury with maturities ranging from 1 to 3 years.

ICE BofA US Fixed-Rate Miscellaneous Asset-Backed Securities (ABS) Index is a subset of the ICE BofA US Fixed-Rate ABS Index, ex securities collateralized by auto loans, home equity loans, manufactured housing, credit card receivables and utility assets. Securities are publicly issued, USD, with an IG rating based on an average of Moody's, S&P and Fitch.

JP Morgan CLO Index (JPM CLO) is a market value weighted benchmark tracking U.S. dollar denominated broadly-syndicated, arbitrage CLOs. The index is comprised solely of cash, arbitrage CLOs backed by broadly syndicated leveraged loans. All CLOs included in the index must have a closing date that is on or after January 1, 2004. There are no weighted average life (WAL) limitations. There are no minimum tranche size restrictions.

JP Morgan Other ABS Index (Non-Tradional ABS), is an index that represents ABS backed by consumer loans, timeshare, containers, franchise, settlement, stranded assets, tax liens, insurance premium, railcar leases, servicing advances and miscellaneous esoteric assets of the The J.P. Morgan Asset-Backed Securities (ABS) Index. The JP Morgan Asset-Backed Securities (ABS) Index is a benchmark that represents the market of US dollar denominated, tradable ABS instruments. The ABS Index contains 20 different sub-indices separated by industry sector and fixed and floating bond type. The aggregate index represents over 2000 instruments at a total market value close to $500 trillion dollars; an estimated 70% of the entire $680 billion outstanding in the US ABS market.

Morningstar /LSTA Leveraged Loan Index (the Index) is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads and interest payments. Facilities are eligible for inclusion in the indexes if they are senior secured institutional term loans with a minimum initial spread of 125 and term of one year. They are retired from the indexes when there is no bid posted on the facility for at least 12 successive weeks or when the loan is repaid.

S&P 500 is a market-capitalization-weighted stock market index that tracks the stock performance of the 500 largest U.S. public companies.

Bloomberg US Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment grade debt issues with at least $300 million par amount outstanding and with at least one year to final maturity.

Intermediate Aggregate (AA) represents securities in the intermediate maturity range of the Bloomberg Aggregate Index.

Bloomberg 1-10 Year Municipal Bond Index is a component of the Bloomberg Municipal Bond index, including bonds with maturity dates between one and 17 years. The Bloomberg Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

Bloomberg Intermediate Gov/Credit Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity. The index includes investment grade, USD denominated, fixed-rate treasuries, government-related, and corporate securities.

Bloomberg US Corporate Bond Index represents the corporate bonds in the Bloomberg US Aggregate Bond Index, and are USD denominated, investment-grade (rated Baa3 or above by Moody's), fixed-rate, corporate bonds with maturities of 1 year or more.

Bloomberg US Intermediate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that have between 1 and up to, but not including, 10 years to maturity.

Bloomberg US Corporate High Yield Index (BBG HY Corp) is an unmanaged index that is comprised of issues that meet the following criteria: at least $150 million par value outstanding, maximum credit rating of Ba1 (including defaulted issues) and at least one year to maturity.

Bloomberg US TIPS Index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.

Bloomberg US ABS Index is the asset backed securities component of the Bloomberg US Aggregate Bond Index. The index includes pass-through, bullet, and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. The Bloomberg US ABS ex. Stranded Cost Utility Index excludes certain stranded cost utility bonds included in the Bloomberg US ABS Index.

Bloomberg Non-AAA ABS Index (Non-AAA Traditional ABS) is non-AAA ABS components of the Bloomberg US Aggregate Bond Index, a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment grade debt issues with at least $300 million par amount outstanding and with at least one year to final maturity.

Bloomberg US MBS Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

Bloomberg Non-Agency CMBS Index (Non-Agency CMBS) is the Non-Agency CMBS components of the Bloomberg US Aggregate Bond Index, a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment grade debt issues with at least $300 million par amount outstanding and with at least one year to final maturity.



Traditional ABS include prime auto backed loans, credit cards and student loans (FFELP). Non-traditional ABS include ABS backed by other collateral types.

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**BBH Fund Information Service: (800) 625-5759**