BBH Intermediate Municipal Bond Fund

Quarterly Fund Update / 3Q 2022

BROWN BROTHERS HARRIMAN

All Shook Up

3Q Highlights

- The Federal Reserve has tightened policy at the quickest pace in decades in an urgent effort to quell inflation.
- Market sentiment remains pessimistic, in contrast to last year's enthusiasm. Recessionary fears have helped normalize credit spreads and municipal yields are their highest since the Global Financial Crisis.
- We view our credits as well-positioned to withstand a potential recession.
- Higher yields, wider credit spreads and rampant forced selling have created our broadest opportunity set in over a decade

Performance
As of September 30, 2022

	Total Returns		Average Annual Total Returns			
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	Since Inception
Class I	-2.84%	-9.71%	-9.43%	-1.42%	0.74%	2.09%
Class N	-2.89%	-9.83%	-9.60%	-1.60%	0.57%	1.94%
Benchmark	-2.58%	-9.21%	-8.87%	-1.12%	0.76%	1.74%

Class I Inception: 04/01/2014
Class N Inception: 04/01/2014

Class I: Net/Gross Expense Ratio (%) 0.45 / 0.45
Class N: Net/Gross Expense Ratio (%) 0.65 / 0.69

* Returns are not annualized.

The Investment Adviser has contractually agreed to limit the Total Annual Fund Operating Expenses to 0.65% for Class N shares and 0.50% for Class I shares through March 1, 2023. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund's Board of Trustees (the "Board").

Performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance data quoted. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance current to the most recent month-end please call 1-800-625-5759. *Fund shares redeemed within 30 days of purchase are subject to a redemption fee of 1.00%.*

Sources: BBH & Co. and Bloomberg

BBH Intermediate Municipal Bond Fund Class I ("the Fund") had a total return of -2.84 % during the third quarter of 2022, compared to a return of -2.58% for the benchmark Bloomberg 1-15 Year Municipal Index.

By the end of the third quarter, investors had endured nine-months of turbulence. Not since the Global Financial Crisis (GFC) have we experienced such an extended period of elevated volatility. In late 2007, without knowing what was to come, then-Citigroup CEO Chuck Prince uttered the following:

"When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing."[1]

Dancing at proverbial parties has never been for us, even with the Federal Reserve (Fed) as a host. When investing, we like to avoid crowds both in the securities we choose and from sentiment-driven fund flows. We never understood the excitement that drove record fund inflows last year when valuations were unattractive. Purchasing bonds with poor valuations often leads to poor returns. The party is now over, the punchbowl is gone, and investors have been duly shaken. Aggressive Fed tightening and rising expectations for additional rate hikes have erased the inflated valuations from last year. Anxious investors have sought the comfort of cash all year long, redeeming from funds in droves. After another weak quarter, returns across the major fixed income sectors are now down double-digits (see Exhibit I).

Exhibit I: Fixed Income Sector Returns

	3Q 2022	YTD 2022
U.S. Treasuries	-4.40%	-13.10%
Agency Mortgage-Backed Securities	-5.40%	-13.70%
Investment Grade Corporates	-5.10%	-18.70%
Municipals	-3.50%	-12.10%

Past performance does not guarantee future results
Sources: Bloomberg and BBH Analysis

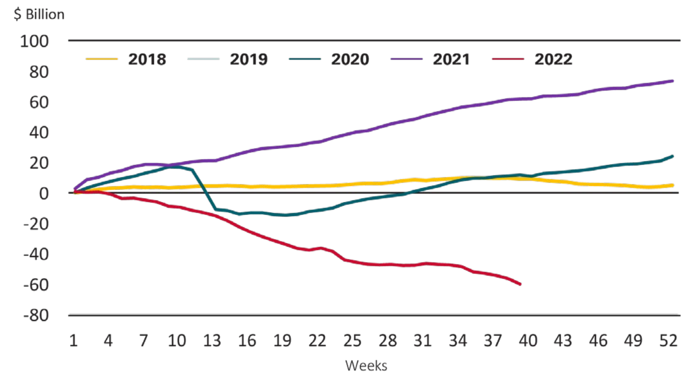
Last year, easy monetary policy, accommodative fiscal policy, and record inflows into municipal funds bolstered investor confidence and risk appetites. This year, those supports have been broken. Unlike when the Fed seeks to cushion the impact of an economic slowdown, today they are driving us toward recession. In contrast to last summer, when the Fed forecast no change in policy for 2022, rate hikes are now occurring at their quickest pace in 40 years; such is their urgency to quell inflation.

[1] Financial Times, July 2007: Citigroup chief stays bullish on buy-outs.

Owning resilient credits remains a cornerstone of our municipal fixed income strategy. Strong economic growth, unprecedented stimulus measures, and yield-chasing investors have driven the marginal demand for credit-sensitive bonds for the last couple of years. Consequently, low-rated issuers enjoyed relatively unhindered and inexpensive market access. Today's environment is different, and we expect an ongoing normalization of credit spreads from rising fundamental risks and stronger competition from the much-improved yields on high-quality securities.

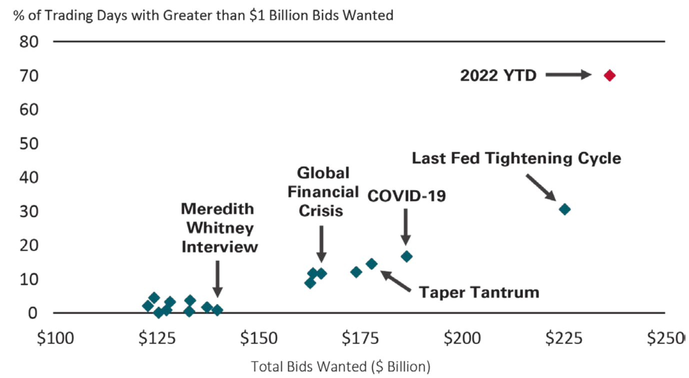
Swings in investor sentiment and the short-term volatility it generates are a feature of financial markets and often provide attractive long-term opportunities. In the municipal market, these swings occur regularly. With a growing percentage of investments held in mutual funds and Exchange-Traded Funds (ETFs), municipal investors now have much more liquid means of transacting than in the past. It is far less costly for a household investor to subscribe to or redeem from a fund than to buy and sell individual securities. As a result, inflow and outflow cycles have become larger, with a more pronounced impact on valuations. Year-to-date fund redemptions have already wiped out 2021's inflows, resulting in record-breaking forced-selling by fund managers (see Exhibit II). In nearly 70% of trading days this year, municipal investors, in aggregate, have tried to sell over $1 billion worth of bonds (see Exhibit III). The previous record was in 2018 at 30%.

Exhibit II: Cumulative Municipal Bond Fund Flows



Data as of September 30, 2022
Sources: Thompson Reuters, Lipper, Bloomberg, and BBH Analysis

Exhibit III: Record Forced Selling



Data as of September 30, 2022
Sources: Thompson Reuters, Lipper, Bloomberg, and BBH Analysis

Thin market liquidity has generated disconnected trading conditions. For instance, the yield of a generic 10-year AAA-rated municipal bond at the beginning of the quarter was 2.7%, rallied to 2.2% by July 31st, and finished the quarter at 3.3%. This represented a swing of more than 100 basis points[2] in three months for a security that normally fluctuates 50 to 60 basis points in an entire year. Rather than the usual doldrums, this summer was more of a roller coaster. Municipal yields overall jumped 50 to 100 basis points during the quarter, bringing the year-to-date rate increases to 225 to 275 basis points. Fed tightening affected short maturity bonds the most. By the end of September, the municipal yield curve had significantly flattened with 2-year, 10-year, and 30-year yields at 3.1%, 3.3%, and 3.9%, respectively. There has been no place to hide.

Our portfolios generally trailed their benchmarks by 10 to 20 basis points for the quarter, leaving us behind 20 to 30 basis points year-to-date. Our floating rate securities accounted for most of our underperformance. Municipal floaters tend to be niche investments with below-average liquidity. Many of our floaters also have a bank element to their credit and widened in sympathy with corporate financial spreads. We have no credit concerns on any of these holdings. As the tightening cycle progresses, we expect the performance of our floating rate holdings to improve. We were pleased that our housing sector holdings stabilized during the quarter after struggling earlier in the year.

Fortunately, weak markets provided attractive opportunities during the third quarter. Spreads of over 100 basis points for BBH-acceptable credits had been rare for the last two years, but now they have become more prevalent. We added two prepaid gas issues: a 2.5-year average life floating-rate bond supported by Bank of America at a spread of 110 basis points, and a 7-year note supported by Goldman Sachs at a spread of 175 basis points. We purchased several airport credits including Houston, Honolulu, Orlando, and Port Authority of New York and New Jersey that offered spreads between 100 and 110 basis points. We also invested in several state housing finance authorities with 2- to 5-year average lives offering spreads between 125 and 150 basis points. For a final highlight, we purchased a note backed by Duke Energy, with the security of a first mortgage pledge at a spread of 110 basis points. Consistent with our strategy, we like to actively engage when market conditions are choppy, because of the attractive values often available.

We view our credits as well-positioned to withstand a potential recession. Considering uncertainties arising from the pandemic, the economy, and Federal aid, many municipal issuers have been hesitant to spend and have built impressive war chests. Currently, state rainy-day fund balances are higher than in any other pre-recession period since the turn of the century. Many revenue-bond issuers have benefitted from strong stock market returns in 2021 to drive outsized reserve growth. Lastly, liquid reserves relative to spending were at decade highs at the end of fiscal 2021 for both the higher education and healthcare sectors.

[2] One "basis point" or "bp" is 1/100th of a percent (0.01% or 0.0001).

We are mindful of headwinds ahead as recession threats grow. After historic gains last fiscal year, the median U.S. pension return declined -7.9% for the year ending June 30, the worst return since 2009. In addition to poor returns, wage inflation is also placing pressure on pension costs as actuarially-required contributions adjust to the inflationary environment. Wage inflation has been particularly acute in sectors such as Healthcare, which is suffering from a nationwide nursing shortage. State and local governments have thus far avoided large pay increases, but collective bargaining agreements usually take time to complete. We expect that public wages will eventually need to catch up and will pressure budgets.

With these challenges in mind, governments and enterprises cannot rely solely on high reserve levels to maintain their financial positions. During previous economic downturns, we witnessed management teams reduce budgets by making cuts to personnel and delaying capital projects. This year, we have witnessed the opposite. Several states have cut taxes and several more have issued cash rebates to taxpayers. While many states can comfortably relinquish small portions of their revenues, some states are more generous than common sense would dictate. When the pandemic aid runs out, we expect well-run governments to once again make tough decisions to control costs. We consider the analysis of management to be a crucial element of our investment process. Even the most durable credits will eventually face tough times, and it is the strength of managements that will ultimately have lasting impacts for bondholders.

The Inflation Reduction Act (IRA) was yet another reminder that the wishes of municipal investors are not always a priority in Washington. The IRA failed to address state and local tax deductions (SALT) and it did not provide a meaningful borrowing program for municipals. The IRA will, however, have some implications for the municipal market. Most notably, it introduced a 15% corporate minimum tax to businesses with over $1 billion in profits. For corporations subject to this tax, all bond income will be taxed regardless of a bond's original tax status. While corporations comprise roughly 25% of municipal demand, most of the major corporations that own municipals will not be subject to this tax. Therefore, we do not expect a material decline in municipal demand. In addition to this tax reform, the IRA makes several investments to tackle climate change, which will likely benefit public power credits by helping to offset the cost of building clean-energy infrastructure. Finally, the IRA provides a three-year expansion of premium assistance for the Affordable Care Act, which will benefit the healthcare sector as wider access to care should increase demand for services.

The shake-up of 2022 has been among the most severe in decades. We understand the reasons for fear. This has been a ferocious bear market in bonds and fundamental risks are rising. We find that our own sentiment is more linked to the prevalence of actionable opportunities: durable credits that provide attractive yields. When viewed through this lens, we remain optimistic despite pervasive pessimism. Higher yields, wider credit spreads, and rampant forced selling have created our broadest opportunity set in over a decade. We remain focused on steadily adding positions in resilient credits that provide attractive yields for our clients.

Sincerely,

Gregory S. Steier
Fund Manager

Share Class Overview
As of September 30, 2022

	Overall Morningstar Rating ™ *	Ticker	CUSIP	Inception Date	Total Net Assets (mil)	NAV	30-Day SEC Yield** (Subsidized)	30-Day SEC Yield** (Unsubsidized)
Class I	★★★	BBIIX	05528C824	04/01/2014	$638.6	$9.75	2.66%	2.66%
Class N	★★★	BBINX	05528C816	04/01/2014	$55.4	$9.76	2.47%	2.41%

* Star ratings are based on risk-adjusted return. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-; 5- and 10-year Morningstar Rating metrics. There are 277 funds in the Muni National Interm category Overall Rating as of 09/30/2022.

** SEC yield is a calculation based on a 30-day period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the reported period.

Credit Quality
As of September 30, 2022

Cash and Cash Equivalents	-2.5%
AAA	26.2%
AA	41.9%
A	31.6%
BBB	2.8%
BB	0.0%
B or Lower	0.0%
Not Rated	0.0%
Total	**100.0%**

Reported as a percentage of portfolio securities.

Top 10 Credits
As of September 30, 2022

California School District General Obligations	5.6%
State of New Jersey	4.5%
Texas Municipal Gas Acquisition and Supply Corporation I Series 2008D	3.6%
Texas School Bond Guarantee Program	3.5%
Texas Municipal Gas Corporation II	3.4%
South Dakota Housing Development Authority	2.7%
Waste Management Inc	2.6%
Minnesota Housing Finance Agency	2.5%
Philadelphia School District, PA	2.3%
Michigan Qualified School Bond Loan Fund	2.1%
Total	**32.8%**

Reported as a percentage of total portfolio.

Sector Distribution
As of September 30, 2022

Cash and Cash Equivalen	-2.5%
General Obligations	21.1%
Pre-Refunded	0.4%
Revenue	81.0%
Total	**100.0%**

Reported as a percentage of portfolio securities.

Fund Facts
As of September 30, 2022

Number of Holdings	306
Number of Issuers Held	107
Effective Duration (years)	4.68
Yield to Maturity	4.09%
Yield to Worst	4.07%

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.

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.

Yield to Worst is the lowest yield an investor can expect when there is optionality on the bond (i.e., call or put, etc.). Yield to Maturity and Yield to Worst are before fees and expenses.

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

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.

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

There is no assurance that this investment objective will be achieved.

Diversification does not eliminate the risk of experiencing investment losses.

Investors in the Fund should be able to withstand short-term fluctuations in the fixed income 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.

Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit, maturity, call and inflation risk; investments may be worth more or less than the original cost when redeemed.

Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax.

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.

As the Fund's exposure in any one municipal revenue sector backed by revenues from similar types of projects increases, the Fund will also become more sensitive to adverse economic, business or political developments relevant to these projects.

Asset allocation decisions, particularly large redemptions, made by an investment adviser whose discretionary clients make up a large percentage of the Fund's shareholders may adversely impact remaining Fund shareholders.

The Bloomberg 1-15 Year Blend (1-17) Muni 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. The index is not available for direct investment.

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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.

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