BBH Income Fund

Quarterly Fund Update / 3Q 2023

Brown Brothers Harriman

3Q Highlights

- U.S. Treasury rates rose during the third quarter as the U.S. economy appeared to be on strong footing, with investors capitulating to the view that the Federal Reserve will keep rates "higher for longer."
- Favorable selection results had the largest impact on the Fund's relative performance during the quarter, and sector allocation also influenced performance positively.
- Despite waning opportunities in the credit markets, we identified numerous new opportunities for the Fund during the quarter in the asset-backed security, corporate bond, and commercial mortgage-backed security sectors.

Performance as of September 30, 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	-2.09%	1.66%	3.08%	-2.82%	2.00%	N/A	1.84%
Bloomberg US Aggregate Index	-3.23%	-1.21%	0.64%	-5.21%	0.10%	N/A	0.09%

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

U.S. Treasury rates rose during the third quarter. The U.S. economy appears to be on strong footing, and investors are capitulating to the view that the Federal Reserve (Fed) will need rates to be "higher for longer." The Fed hiked the target range of the federal funds rate by 0.25% to 5.25%-5.50% at its July meeting. The Fed's next announcement is scheduled for November 1st. In addition, the Fed continued its campaign of shrinking its portfolio of assets acquired through open market operations by a maximum of $95 billion per month.

On a duration-adjusted basis, nearly every credit index earned positive excess returns during the quarter, though agency mortgage-backed securities (MBS) were a noteworthy underperformer. Indexes tied to floating rate investments and with shorter durations experienced positive total returns despite the rise in rates (see Exhibit I). Long maturity corporate bonds (those with 10+ years until maturity) also had strong excess returns during the quarter.

Year-to-date, all credit indexes had positive excess returns except for agency MBS. Non-agency commercial mortgage-backed securities (CMBS) slightly outperformed comparable duration Treasuries despite negative headlines regarding commercial real estate (CRE). Indexes of investment-grade corporate bonds, senior bank loans, high yield corporate bonds, nontraditional asset-backed securities (ABS), and collateralized loan obligation (CLO) debt posted strong excess returns.

Exhibit I: Fixed Income Indexes Returns

	Duration	Total Return (%)		Excess Return (%)	
Index	**(Years)**	**QTD**	**YTD**	**QTD**	**YTD**
Morningstar LSTA Leveraged Loan Index[1]	0.3	3.46	10.19	2.13	6.47
Palmer Square CLO Debt Index[1]	0.3	5.30	12.83	3.97	9.11
Bloomberg 2 Year U.S. Treasury Bellwether Index	1.8	0.57	1.14	–	–
Bloomberg ABS ex Stranded Cost Utilities Index	1.9	0.84	2.35	0.19	0.60
Bloomberg U.S. Corporate High Yield Index	3.5	0.46	5.86	1.02	5.16
Bloomberg Non-Agency CMBS Index	3.8	-0.23	0.23	0.66	0.07
ICE BofA AA-BBB US Misc. ABS Index[2]	3.9	0.88	4.81	2.09	5.36
Bloomberg Intermediate Corporate Index	4.0	-0.96	1.35	0.12	1.36
Bloomberg U.S. TIPS Index	5.0	-2.60	-0.78	–	–
Bloomberg U.S. Treasury Index	5.9	-3.06	-1.52	–	–
Bloomberg EM USD Aggregate Index	5.9	-2.31	0.91	0.80	2.59
Bloomberg Aggregate Index	6.1	-3.23	**-1.21**	**0.00**	**0.50**
Bloomberg MBS Index	6.4	-4.05	-2.26	-0.85	-0.58
Bloomberg U.S. Corporate Index	6.8	-3.09	0.02	0.84	2.37
Bloomberg 10 Year U.S. Treasury Bellwether Index	8.0	-5.12	-3.43	–	–
Bloomberg Taxable Municipal Index	9.3	-4.90	-0.12	1.45	4.27
Bloomberg Long Corporate Index	12.5	-7.23	-2.71	2.18	4.22

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 September 30, 2023
Sources: Morningstar, JPM, Bloomberg, and BBH Analysis

This material is not authorized for distribution unless accompanied or preceded by a current Fund prospectus.
BBH Fund Information Service: (800) 625-5759

Valuations

The strong recent performance of credit instruments has caused valuations to weaken. According to our valuation framework,[1] the number of investment-grade corporate bonds that screened as a "buy" decreased to 32% and the number of high yield corporate bonds screened as a "buy" decreased to 33% while over 90% of bank loans screened as a "buy." Within the investment-grade corporate bond market, we find most opportunities in short and intermediate duration segments of single-A rated and triple-B rated bonds, as well as nontraditional issuances that do not meet index inclusion criteria but offer compelling valuation while meeting our credit criteria. In the high yield corporate bond market, there are many opportunities among smaller issuers in the double-BB and single-B rated markets. However, our valuation framework identifies plenty of "hold" and "sell" candidates in those ratings categories, so there are numerous value traps and valuation-sensitive selection remains imperative.

In the structured credit markets, we are finding an abundance of attractively valued opportunities as we observe a continuing disconnect between wider credit spread levels and solid credit performance (see Exhibit II). Issuances of select non-traditional ABS, Single Asset, Single Borrower (SASB) CMBS, and CLO debt have come with attractive compensation and strong durability and structural protections. Opportunities are emerging in parts of the agency MBS market as valuations improve, and we are prepared to add positions.

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		
U.S. MBS	Valuations improving in parts of the market	No positions in portfolios; prepared to add opportunistically
RMBS	Continued credit and valuation concerns	No positions in portfolios
CMBS	Traditional conduits unattractive, select SASB issuances attractive	Hold positions in fixed- and floating-rate SASB CMBS deals with strong property-level transparency
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, property and casualty insurers, and life 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	Roughly one-third of universe screens as "buy" with most being bonds of smaller issuers	Holdings are diversified and include credits issued by midstream energy, electric utilities, and specialized REITs
Other Credit		
Emerging Markets	Concerns remain about creditor rights in most emerging market countries	No positions in portfolios

As of September 30, 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 = Sing Asset, Single Borrower; REIT = Real Estate Investment Trust

Source: BBH Analysis

Non-agency residential mortgage-backed securities (RMBS) continue to suffer from lower durability, thin credit enhancement, and prepayment risk. We continue to avoid emerging markets credits due to concerns regarding creditor rights in most countries.

[1] Our valuation framework is a purely quantitative screen for bonds that may offer excess return potential, primarily from mean reversion 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 names, not recommendations, as the valuation framework includes no credit research, a vital second step.

Performance

Favorable selection results had the largest impact on the Fund's relative performance during the quarter. Positions in senior bank loans to healthcare, airline, and consumer cyclical services companies had notable contributions during the quarter (see Exhibit III). Holdings of high yield corporate bonds issued by property and casualty (P&C) insurers and technology companies enhanced relative results further. The Fund's positions in SASB CMBS also proved additive, as well as positions in investment-grade corporate bonds issued by business development companies (BDCs).

Sector allocation also influenced performance favorably during the quarter. The Fund benefitted from its emphases on stronger performing credit sectors, including investment grade corporate bonds and nontraditional ABS, and its avoidance of agency MBS.

Exhibit III: Fund Attribution

	Average Weight (%)			Contribution (Basis Points - Gross)		
	Portfolio	Benchmark	Active	Rates	Sector	Selection
Total Portfolio	**100**	**100**	**0**	**35**	**45**	**46**
US Treasury	9.0	41.0	-32.1		0	0
Cash and Reserves	1.1	0.0	1.1		0	0
Government-Related	0.0	5.1	-5.1		-1	0
Municipal	0.7	0.0	0.7		1	-2
US MBS	0.0	26.8	-26.8		23	0
CMBS	6.2	1.7	4.5		-4	6
ABS	20.6	0.5	20.1		12	2
IG Corporate Bonds	44.6	24.8	19.8		13	3
Senior Bank Loans	12.6	0.0	12.6		0	26
HY Corporate Bonds	5.2	0.0	5.2		2	12

Past performance is no guarantee future results
Contribution figures are presented gross of fees
Data reported quarterly from June 30, 2023 to September 30, 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
Source: BBH Analysis

The Fund's duration and yield curve profile contributed to results. Agency MBS was not owned in the portfolio but carries a significant weight in the Index. Agency MBS has negative convexity, and its duration can change day-to-day with changes in interest rates and interest rate volatility. 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 Fund's duration was stable but slightly lower than the Index's while interest rates rose.

Transaction Summary

We purchased bonds from a variety of sectors and industries during the quarter. Purchases included bonds from ABS secured by data center leases and revenues, personal consumer loans, auto floorplan loans, and billboard assets, corporate bonds issued by an electric utility company, a bank, a life insurer, and a construction machinery company, and bonds from SASB CMBS deals. Descriptions of a few notable portfolio additions are included below.

We bought bonds from several ABS issuances amid heavy volume. **VDCR 2023-1A A2A** is a data center ABS brought by **Vantage Data Centers,** a leading owner, developer, and operator of large hyperscale data centers in North America. The collateral consists of eight data centers in Northern Virginia, Montreal, and Quebec City. We purchased the A- rated bonds at a spread of 285 basis points[2] over Treasuries. **Aligned Data Centers** issued its third deal secured by data center revenues, **ADC 2023-1A.** The securitization portfolio consists of six wholesale data centers and the associated leases, with contractual cashflows generated from leases to 32 hyperscale, large, enterprise, carrier companies. We bought the A- rated notes at a spread of 250 basis points over Treasuries. **Adams Outdoor Advertising** issued its fifth securitization secured by a portfolio of billboard assets and the revenue generated from leasing its space, **ADMSO 2023-1.** The collateral includes 9,983 billboards with no client or industry accounting for more than 3% and 12% of the pool, respectively. We bought the 4.1 year duration, A- rated notes at a yield of 7.1% and a spread of 310 basis points over Treasuries.

CRSO 2023-BRND A is an SASB CMBS deal secured by The Americana at Brand, a lifestyle luxury retail center located in Glendale, California that is 99.4% leased by 75 tenants. The property demonstrates low loan-to-value (LTV) ratios and strong operating performance. The triple-A rated notes carry a 5 year weighted average life, and we purchased the bonds at a yield of 7% and a spread of 270 basis points over Treasuries.

In the corporate credit market, **NRG Energy Inc** is the third largest publicly traded merchant power generation company and the largest power marketer in the U.S. NRG's credit strengths include low leverage, significant liquidity, diverse exposure to different wholesale power markets, and a physical hedge against wholesale power dynamics through its retail power and gas marketing platform. We bought the new issue, 5 year, BBB- rated secured notes at a yield of 7.5% and a spread of 310 basis points over Treasuries. **Corebridge Financial Inc** is a life insurance company that was spun off from AIG, and the company benefits from significant scale and diversification. Their credit strength is derived from an excellent balance sheet, brand recognition, diverse product mix, excellent liquidity, and strong underwriting. We bought the new issue, 5 year, A+ rated notes at a spread of 149 basis points over Treasuries.

[2] Basis point (bps) is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Characteristics

At the end of the month, the Fund's duration was 6.1 years and continued to approximate that of its benchmark (see Exhibit IV). High yield investments represented 15.8%, were comprised primarily of credits rated double-B, and consisted of a blend of corporate bonds and loans. Yield to maturity was 7.6% and remained elevated versus bond market alternatives. The Fund's option-adjusted spread (OAS) was 265 basis points over Treasuries; for reference, the Bloomberg U.S. Corporate Index's OAS was 121 basis points over Treasuries at month-end.

Exhibit IV: Fund Characteristics

Portfolio Characteristics			
	Portfolio	**Benchmark**	**Active**
Effective Duration (Years)	6.14	6.11	100%
Spread Duration (Years)	3.57	3.63	98%
Yield to Maturity (%)	7.59	5.39	2.20
Option-Adjusted Spread (bps)	265	52	213

Credit Rating (%)		
	Portfolio	**Benchmark**
AAA/TSY/Cash	18.6	3.8
AA	9.4	72.1
A	28.2	11.7
BBB	28.0	12.5
BB	10.1	0.0
B	5.4	0.0
CCC & Below/NR	0.3	0.0

Sector Allocation (%)			
	Portfolio	**Benchmark**	**Active**
U.S. Treasury	10.2	41.2	-31.0
Reserves	0.4	0.0	0.4
Government-Related	0.0	5.1	-5.1
Municipal	0.7	0.0	0.7
MBS (Agency)	0.0	26.7	-26.7
RMBS (Non-Agency)	0.0	0.0	0.0
CMBS	6.3	1.7	4.6
ABS	21.6	0.5	21.1
IG Corporate Bonds	43.6	24.7	18.9
Senior Bank Loans	12.1	0.0	12.1
HY Corproate Bonds	5.1	0.0	5.1

Portfolio holdings and characteristics are subject to change.

Benchmark is the Bloomberg US Aggregate Bond Index

Data reported as of September 30, 2023

TSY = Treausury; MBS = Mortgage-Backed Securities; RMBS = Residential Mortgage-Backed Securities; CMBS = Commerical Mortgage-Backed Securities; ABS = Asset-Backed Securities; CLO = Collateralized Loan Obligation

Source: BBH Analysis

Conclusion

Higher interest rates will ultimately bring higher returns for credit investors. We caution that a strong economy should not be the basis for investor credit decisions. Higher-for-longer interest rates will eventually weigh on many borrowers. Instead, we focus on durable credits[3] which is a hallmark of our process. Thank you for your continued trust, and we look forward to our conversations over the coming weeks.

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

[3] 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 level of the ultimate obligor or guarantor of the Obligation. Durable means the ability to withstand a wide variety of economic conditions.

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.

The selection effect measures the investment manager's ability to select securities within a given segment relative to a benchmark.

The sector effect measures an investment manager's ability to effectively allocate their portfolio's assets to specific sectors relative to a benchmark.

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

Definitions

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.

An index is not available for direct investment.

"Bloomberg®" and the Bloomberg indexes are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the indexes (collectively, "Bloomberg") and have been licensed for use for certain purposes by Brown Brothers Harriman & Co (BBH). Bloomberg is not affiliated with BBH, and Bloomberg does not approve, endorse, review, or recommend the BBH Limited Duration Fund. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the fund.

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. Nothing contained herein is intended as a recommendation to buy or sell any security, or to invest in any particular country, sector or asset class.

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

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.

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.

IM-13600-2023-10-20 BBH003825 **Exp. Date 01/31/2024**

This material is not authorized for distribution unless accompanied or preceded by a current Fund prospectus.
BBH Fund Information Service: (800) 625-5759