Mo[re] Money, No Problems

A new star has emerged! We have long recognized the futility of forecasting markets — it causes nothing but problems. We may never know the source of new opportunities in advance, but we know how to prepare for them. Usually investing cash is one of our team's most mundane activities. However, over the past couple of years, wild swings in investor sentiment, along with higher rates have produced broad opportunities to add value with active cash management.

Cash provides important flexibility in managing a portfolio and helps promote our opportunistic style, but up until the recent Federal Reserve (Fed) hiking cycle, it acted as a drag on returns. We usually manage our municipal portfolios with less than 5% cash, but as rates have increased, we have been happy to carry larger balances. Historically, we have held portfolio reserves in a blend of cash and generic triple-A rated intermediate securities. As a result of the yield curve inversion and expensive ratios on generic triple-A municipal bonds, we now hold all our portfolio reserves in cash. Today is one of those rare times when investors are rewarded with extra yield for being patient.

High cash yields also directly benefit our delayed-delivery securities, which have been an important source of value during the past few years. When we invest in this type of structure, we usually keep our committed, but unspent capital in cash reserves. This has allowed us to simultaneously capture the delayed-delivery bond premium without a cash drag. For additional information on this topic please see our August 2021 Strategy Insight, "Good Things Come to Those Who Wait".

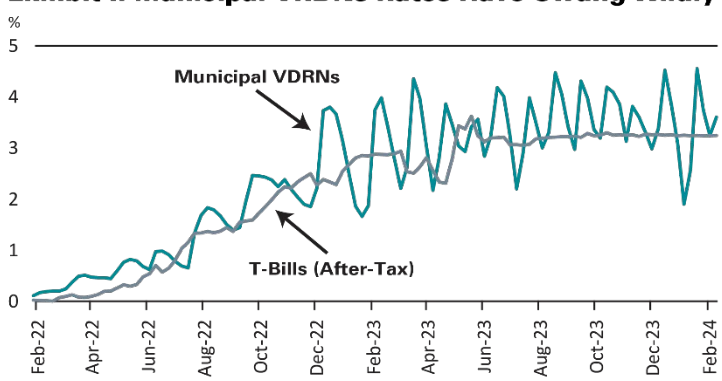
Unlike some municipal managers who choose to solely invest in tax-exempt securities, we invest our cash in a tax-aware manner. We have the option to invest cash in either Municipal Variable Rate Demand Notes (VRDNs) or Treasury-Bills (T-Bills). VRDNs are money market fund-eligible obligations which feature floating coupon rates that commonly reset on a daily or weekly basis. Importantly, VRDNs benefit from contractual demand features that permit holders to redeem their securities at par every day or week, depending on the rate reset provision. VRDNs are highly liquid and often carry credit or liquidity enhancements from a large, well-established banks, including J.P. Morgan, Wells Fargo, and U.S. Bank, among others.

Our cash management strategy is straightforward. When VRDN yields exceed those of T-Bills, adjusted for Federal taxes, we invest our cash in the Municipal market and vice-versa, when VRDN yields fall short. The income from T-Bills is exempt from state income taxes, which helps their value proposition. Our trading team diligently checks rates every morning to determine which asset class offers the better after-tax yield.

Normally, the relationship between VRDN and tax-adjusted T-Bill yields is stable, but not much has been normal in the municipal market during the last couple of years. In Exhibit I, you can see the rampant volatility between VRDN and tax-adjusted T-Bill valuations. Since the beginning of 2022, there have been many wild swings which have allowed us to put our tax-aware cash management strategy to work and have kept our traders quite busy! Our college textbooks taught us about market efficiency, but clearly the authors were not contemplating today's municipal bond market.

When Fed policy was zero, more cash meant more problems in generating returns. Today, the situation has reversed course. We hold larger-than-usual cash balances and actively manage that cash to enhance returns beyond today's elevated money market yields. If you noticed some taxable income on your 1099

Exhibit I: Municipal VRDNs Rates Have Swung Wildly



Past performance does not guarantee future results
Data reported weekly from February 2, 2022 to February 14, 2024
VDRNs = Variable Rate Demand Notes, T-Bills = Treasury Bills
Sources: Bloomberg and BBH Analysis

this year, you now know why. Our goal remains to preserve capital by owning high quality, durable credits[1] that provide attractive yields. Every bond in our portfolio is carefully chosen with this goal in mind, from the shortest duration positions to the longest. For years, we have highlighted individual credits and off-the-run[2] bond structures that have served as the foundation for our strategy. Cash management has now taken center stage and is playing a key role. Staying patient has rarely paid so much – more money, no problem!

Gregory Steier
Principal
Head of Municipal Fixed Income Portfolio Management

[1] 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.
[2] Off-the-run refers to securities that have been issued before the most recent issue and are still outstanding.

Portfolio holdings and characteristics are subject to change.

Issuers with credit ratings of AA or better are considered to be of high credit quality, with little risk of issuer failure. Issuers with credit ratings of BBB or better are considered to be of good credit quality, with adequate capacity to meet financial commitments. Issuers with credit ratings below BBB are considered speculative in nature and are vulnerable to the possibility of issuer failure or business interruption.

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.

RISKS

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. Bond prices may be sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Investing in the bond market is subject to certain risks including market, interest-rate, issuer, maturity, call, credit, 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 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. There can be no assurance the fund will achieve its investment objectives.

For more complete information, visit www.bbhfunds.com for a 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.

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.

NOT FDIC INSURED **NO BANK GUARANTEE** **MAY LOSE VALUE**

IM-14246-2024-02-21 BBH003893 Expiration Date 02/28/2025