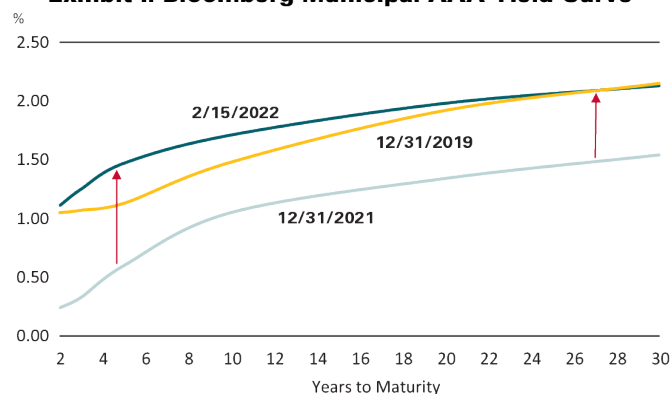


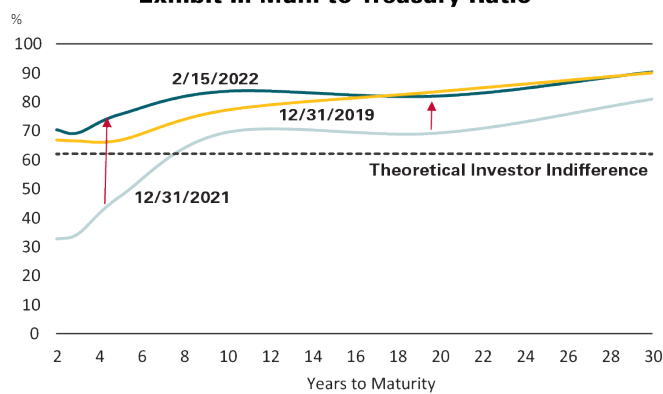
The Waiting Has Begun to Pay Off

Exhibit I: Bloomberg Municipal AAA Yield Curve



Sources: Bloomberg and BBH Analysis

Exhibit II: Muni to Treasury Ratio



Sources: Bloomberg and BBH Analysis

After nearly a year of waiting, it took only six short weeks for valuations to dramatically improve. As can be seen in Exhibit I, the yields on short-term municipal bonds have now increased over 90 basis points[†], while Exhibit II shows that those higher yields exceed the after-tax yields that can be attained by U.S. Treasury securities across all maturities. These levels are more attractive and provide a way to enhance yields provided by money market instruments. Multi-decade high levels of inflation have driven a quick change in sentiment by the Federal Reserve and by investors. Even though the Fed has yet to tighten, today's yield curve already reflects 225 basis points of tightening through the end of 2023.

With higher yields, the municipal market offers investors the benefit of higher returns without needing to stretch for yield in lower-quality or longer-maturity securities. We note that the 2022 revaluation has been led by the highest-quality municipal securities, while lower-quality issues continue to offer low incremental yield relative to higher-quality alternatives.

We see two issues associated with low spreads offered on low-rated bonds. The first is questionable compensation for the underlying fundamental risks assumed. Second, they face the prospect of significant underperformance if credit valuations return to longer-term averages. That is why we believe higher-quality municipal bonds afford investors protections against many of the uncertainties facing the broader bond markets.

We believe investors should consider increasing exposure to municipal bond strategies to capture the benefits of today's healthier yields. Our experience has taught us that market volatility is a feature of markets and we have designed our investment process to help us take advantage of it. Volatile markets often produce opportunities in high quality securities that provide more yield than their fundamental risks suggest they should. We continue to find higher-yielding opportunities in high-quality segments of the market that are outside the comfort zone of traditional household investors because of their less-familiar structures. Year-to-date, we have invested in many such opportunities and are keen to identify more. The waiting is never as exciting as navigating volatile markets, but it was necessary to be well-positioned for times like this!

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



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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

Investing in the bond market is subject to certain risks including market, interest-rate, issuer, 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.

Investors 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.

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.

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