

BBH Income Fund

Monthly Fund Update / January 2019

The BBH Income Fund Class I (“the Fund”) returned 1.20% in January and the Bloomberg Barclays U.S. Aggregate Index returned 1.06%. Outperformance was due to the Fund’s larger exposure to credit during a month when all credit sectors performed well.

The U.S. Treasury yield curve was little changed for the month. The 10-year rate finished the month about where it started, at 2.62%, 5 basis points¹ (bps) lower on the month. The Federal Reserve (Fed) held interest rates steady and has now firmly taken a “wait-and-see” attitude in what seems to be a pause in rate hikes. The Fed’s current statement is now absent explicit language regarding the need to raise rates. The Fed’s case for raising rates has weakened, due to a slowdown in global growth (especially China), unresolved global trade frictions, Brexit, and the potential effects of the U.S. government shutdown. The Fed also signaled it would be open to changing the pace of balance sheet reduction. The U.S. economy and corporate earnings continue to remain constructive, and the Fed will probably hold off on raising rates until we start to see larger signs of wage inflation in this robust job market.

Credit indices made a strong rebound in January, with positive excess and total returns in the broad indices. Corporate investment grade spreads tightened 25 bps to 128 bps in January. Corporate high yield spreads ended the month at 423 bps, tighter by 103 bps. Fund flows were positive for both corporate sectors. Floating rate loans returned 2.30% in January, a mirror image to their 2.29% loss in December. Asset-backed securities (ABS) index spreads tightened 7 bps during month to 46 bps.

January’s spread tightening notwithstanding, our corporate valuation model is showing the highest percentage of opportunities in the past two years and we were able to pick up 17 corporates bonds at attractive spreads. ABS has continued to be a steady source of value amid overvalued markets and we picked up four ABS deals in January. We have been patiently and steadily building this Fund since inception last June, and we are now 86% in credit as of the end of January.

We do not try to predict rates and spreads. Our valuation model provides a disciplined, consistent framework for identifying investment opportunities with a margin of safety² and a positive risk-adjusted return profile. Our multi-sector fixed income expertise, and well-defined credit criteria, allow us to select fundamentally strong securities to build durable portfolios from the bottom up. As always, we will invest only in durable credits³ and only at attractive prices.

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

² With respect to fixed income investments, a margin of safety exists when the additional yield offers, in BBH's view, compensation for the potential credit, liquidity and inherent price volatility of that type of security and it is therefore more likely to outperform an equivalent maturity credit risk-free instrument over a 3-5 year horizon.

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.

Performance								
	Total Returns			Average Annual Total Returns				
As of 01/31/2019	1 Mo.*	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
BBH Income Fund (Class I)	1.20	3.33	1.20	N/A	N/A	N/A	N/A	2.56
Bloomberg Barclays US Aggregate Index	1.06	3.53	1.06	N/A	N/A	N/A	N/A	2.67
As of 12/31/2018	1 Mo.*	3 Mo.*	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
BBH Income Fund (Class I)	1.51	1.65	N/A	N/A	N/A	N/A	N/A	1.34
Bloomberg Barclays US Aggregate Index	1.84	1.64	N/A	N/A	N/A	N/A	N/A	1.60
Class I: Net/Gross Expense Ratio (%) 0.50 / 0.69							All performance is net of fees	
Sources: BBH & Co. and Bloomberg								
* Returns are not annualized.								
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 sold, 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 June 30, 2019. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund’s Board of Trustees (the “Board”).								
Bloomberg Barclays U.S. Aggregate Bond Index: covers the USD-denominated, investment-grade (rated Baa3 or above by Moody's), fixed-rate, and taxable areas of the bond market. This is the broadest measure of the taxable U.S. bond market, including most Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, all with maturities of 1 year or more. The index is not available for direct investment.								
This material is not authorized for distribution unless accompanied or preceded by a current Fund prospectus.								

BBH Fund Information Service: (800) 625-5759

Share Class Overview
As of January 31, 2019

	Ticker	CUSIP	Inception Date	Total Net Assets (mil)	NAV	30-Day SEC Yield* (Subsidized)	30-Day SEC Yield* (Unsubsidized)
Class I	BBNIX	05528C766	06/27/2018	\$267.3	\$10.07	2.69%	2.69%

*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 January 31, 2019	
Cash and Cash Equivalents	0.4%
U.S. Treasuries	16.5%
AAA	14.1%
AA	12.9%
A	22.5%
BBB	21.8%
BB	10.7%
B or Lower	0.0%
Not Rated	1.2%
Total	100.0%

Top 10 Credits As of January 31, 2019	
Opportun Funding LLC	1.9%
Aegon NV	1.5%
Helix Generation Funding LLC	1.4%
Dell Inc	1.4%
Hercules Capital Funding Trust	1.4%
National Australia Bank Ltd	1.4%
CSMC 2018-SITE	1.4%
Electricite de France SA	1.3%
Sprint Corp	1.2%
Wells Fargo & Co	1.2%
Total	14.1%

Reported as a percentage of total portfolio.

Sector Distribution As of January 31, 2019	
Corporate Securities	37.5%
Asset-Backed Securities	25.1%
Commercial Mortgage-Backed Securities	4.4%
Municipal Securities	0.0%
Agency Mortgage-Backed Securities	0.0%
Trust Preferred	0.0%
Loans	15.7%
U.S. Treasuries	14.2%
U.S. Inflation-Indexed Securities	2.3%
Residential Mortgage-Backed Securities	0.5%
Cash and Cash Equivalents	0.4%
Total	100%

Duration Distribution As of January 31, 2019		
	BBH Income Fund	Bloomberg Barclays US Aggregate Index
0 - 1 Yr.	24.3%	0.2%
1 - 2 Yrs.	10.1%	12.2%
2 - 4 Yrs.	32.0%	25.1%
4 - 6 Yrs.	11.0%	34.3%
6 - 8 Yrs.	6.7%	11.5%
8 - 12 Yrs.	4.2%	4.3%
12+ Yrs.	11.8%	12.5%
Total	100.0%	100.0%

Fund Facts As of January 31, 2019	
Number of Holdings	161
Effective Duration (years)	5.80
Weighted Average Life (years)	6.64
Yield to Maturity	4.02%

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. 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.

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

The value of some bonds including asset-backed and mortgage-backed securities may be sensitive to changes in prevailing interest rates that can cause a decline in their prices. Mortgage related securities are subject to prepayment and extension risk. 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.

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.

The Fund has limited operating history and there is no guarantee that any strategy will be successful.

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 1100, 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. BBH acts as the Fund Administrator and is located at 140 Broadway, New York, NY 10005.

Not FDIC Insured

No Bank Guarantee

May Lose Money

BBH Fund Information Service: (800) 625-5759

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