

# BBH Limited Duration Fund

## Monthly Fund Update / March 2019

The BBH Limited Duration Fund Class I ("the Fund") returned 0.37% in March, while the Bloomberg Barclays U.S. 1-3 Year Treasury Index returned 0.62%. The performance of all credit sectors in the Fund was positive, yet falling rates benefited the benchmark more than the Fund. The benchmark is 100% Treasuries.

U.S. Treasury yields fell an average of 18 basis points<sup>1</sup> (bps) across the curve in March. The 10-year rate finished the month lower by 31 bps and dipped to 2.37% during the month, a 15-month low. The Federal Reserve (Fed) has gone from hawkish to dovish in two quarters, and the market-discounted likelihood of a Fed rate cut now stands at 65%. The Fed's U-turn may have been due to signs of slowing global growth, unresolved global trade agreements (China and Brexit), and a lack of inflation. We remain in a growing U.S. economy which shows some indications of slowing. Analysts' expectations are for an overall pullback for earnings growth in the second quarter.

Credit spreads ended March relatively unchanged as most of the gains were related to rates. Corporate investment grade returned 2.51% for the month and is now up 5.14% year-to-date. Corporate high yield returned 1% for the month and 7.26% for the year. Floating rate loans, now up 3.78% for year, were down slightly in March (-0.12%) due to cooling demand as the prospect for rising rates diminish.

We do not attempt to predict rates and spreads. Our valuation model<sup>2</sup> provides a disciplined, consistent framework for identifying investment opportunities with a margin of safety<sup>3</sup> and a positive risk-adjusted return profile. Our multi-sector fixed income expertise and well-defined credit criteria allow us to build durable portfolios from the bottom up. As always, we will invest only in durable credits<sup>4</sup> and only at attractive prices.

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

### Overall Morningstar Rating™ As of March 31, 2019

Class I: ★★★★★ Class N ★★★★★

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 151 funds in the Ultrashort Bond category as of 3/31/2019.

### Performance

#### Total Returns

#### Average Annual Total Returns

As of 03/31/2019	1 Mo.*	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception <sup>3</sup>
<b>BBH Limited Duration Fund (Class I)<sup>1</sup></b>	0.37%	1.47%	1.47%	3.22%	2.86%	1.88%	2.56%	3.95%
<b>BBH Limited Duration Fund (Class N)<sup>2</sup></b>	0.46%	1.55%	1.55%	3.23%	2.77%	1.75%	2.40%	3.79%
<b>Bloomberg Barclays U.S. 1-3 Treasury Bond Index</b>	0.62%	0.99%	0.99%	2.73%	0.98%	0.98%	1.04%	2.73%

**Class I: Net/Gross Expense Ratio (%) 0.27 / 0.27**

**Class N: Net/Gross Expense Ratio (%) 0.35 / 0.50**

**All performance is net of fees**

Sources: BBH & Co. and Bloomberg

\* Returns are not annualized.

Effective March 24, 2017, the Investment Adviser has voluntarily agreed to limit the annual fund operating expenses of Class N to 0.35%. This is a voluntary waiver that can be changed at any time at the sole discretion of the Investment Advisers.

**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.**

<sup>1</sup> The Class I shares commenced operations on December 3, 2002. Prior to December 3, 2002, performance reflects performance of the Class N shares adjusted to assume that all charges, expenses and fees were deducted. Performance prior to December 22, 2000 is that of the BBH Broad Market Fixed Income Portfolio adjusted to assume that all charges, expenses and fees of the Fund and the Portfolio which are presently in effect were deducted during such periods, as permitted by applicable SEC staff interpretations. <sup>2</sup> The Class N shares commenced operations on December 22, 2000. Performance prior to December 22, 2000 is that of the BBH Broad Market Fixed Income Portfolio adjusted to assume that all charges, expenses and fees of the Fund and the Portfolio which are presently in effect were deducted during such periods, as permitted by applicable SEC staff interpretations. <sup>3</sup> "Inception Date" (7/20/2000) is the inception date of the BBH Broad Market Fixed Income Portfolio.

The Bloomberg Barclays U.S. 1-3 Year Treasury Bond Index is an unmanaged index of fixed rate obligations of the U.S. Treasury with maturities ranging from 1 to 3 years. 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 March 31, 2019

	Ticker	CUSIP	Inception Date	Total Net Assets (mil)	NAV	30-Day SEC Yield* (Subsidized)	30-Day SEC Yield* (Unsubsidized)
<b>Class I</b>	BBBIX	05528X851	12/03/2002	\$5,812.5	\$10.19	2.65%	2.65%
<b>Class N</b>	BBBMX	05528X802	12/22/2000	\$324.9	\$10.20	2.58%	2.43%

\* 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.

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Credit Quality  
As of March 31, 2019

Cash and Cash Equivalents	9.5%
U.S. Treasuries	0.0%
AAA	34.7%
AA	12.5%
A	23.5%
BBB	14.2%
BB	5.1%
B or Lower	0.2%
Not Rated	0.4%
<b>Total</b>	<b>100.0%</b>

Top 10 Credits  
As of March 31, 2019

World Financial Network Credit Card Master Trust	2.0%
Mariner Finance Issuance Trust	1.7%
Chesapeake Funding LLC	1.7%
OSCAR US Funding Trust	1.6%
New Jersey Turnpike Authority	1.6%
Credit Acceptance Auto Loan Trust	1.5%
National Australia Bank Ltd.	1.4%
Trafigura Securitisation Finance PLC	1.4%
Enterprise Fleet Financing LLC	1.4%
PFS Financing Corp	1.3%
<b>Total</b>	<b>15.7%</b>

Reported as a percentage of total portfolio.

Sector Distribution  
As of March 31, 2019

Corporate Securities	24.5%
Asset-Backed Securities	46.5%
Commercial Mortgage-Backed Securities	5.3%
Municipal Securities	1.9%
Agency Mortgage-Backed Securities	0.3%
Trust Preferred	0.0%
Loans	11.5%
Residential Mortgage-Backed Securities	0.6%
Cash and Cash Equivalents	9.5%
<b>Total</b>	<b>100.0%</b>

Fund Facts  
As of March 31, 2019

Number of Holdings	291
Effective Duration (years)	0.92
Weighted Average Life (years)	2.16
Yield to Maturity	3.47%

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. Yield to Maturity is before fee and expenses.

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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.

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.

**For more complete information, visit [www.bbhfunds.com](http://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.

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**Not FDIC Insured**

**No Bank Guarantee**

**May Lose Money**

**BBH Fund Information Service: (800) 625-5759**

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