

# BBH Income Fund

## Quarterly Fund Update / 2Q 2021

Much like the recent temperatures in the Pacific Northwest, credit market valuations have reached remarkable extremes, and yield-seeking fixed income investors are sweating. Valuation extremes, just like a heat wave, can hang around for varying periods of time, but typically end with a storm. When the storm arrives, investors with liquid reserves fare much better than those that focused incessantly on yield. While we have no way of predicting when this low spread environment will reverse, past episodes have broken with surprising macro-economic or credit developments. Possibilities investors are watching include a sudden and sustained pickup in inflation, changes in Federal Reserve ("FED") or European Central Bank ("ECB") tapering policy, increasing leverage combined with slowing business volumes, or changes in relative yields for European and Asian investors. Then there are the risks we don't even recognize as risks, the "unknown unknowns" that the recently-deceased Donald Rumsfeld famously, and perhaps insufficiently, recognized. We will address some of those possibilities in this Strategy Update, along with a few notable developments in credit markets over the previous months.

### Yield-seeking from abroad helped to put a lid on rates

Rates rallied in the second quarter, with the 10-year US Treasury yield ending at 1.47%, down almost 30 basis points (0.3%) from its March 31 high of over 1.74%. Many have attributed this rally to investors revising inflation expectations downward, or the persistent dovish stance of the Fed. We suspect it isn't entirely a market verdict on inflation, however. We believe foreign investors are a key marginal contributor to rates and spread, and it seems clear they played a large role in the rally. Net Foreign Flows into USD fixed income were negative in January and February, but strongly positive in March and April, after US rates and Euro and Yen-hedged yields increased. Foreign investors also showed a much greater willingness to buy longer maturities than in the months prior to the rate rise (see Exhibit I).

Hedging costs diminished materially as rates rose in the first quarter, and U.S. yields steepened more than overseas yields, improving the economics of buying USD notes and bonds. While European and Asian recovery is lagging the US at present, a rise in yields abroad might well cause these flows to reverse taking spreads and rates wider (see Exhibit II).

Performance As of June 30, 2021							
	Total Returns		Average Annual Total Returns				
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
<b>Class I</b>	2.78%	0.67%	6.51%	7.59%	N/A	N/A	7.51%
<b>Benchmark</b>	1.83%	-1.60%	-0.33%	5.34%	N/A	N/A	5.31%

Class I: Net/Gross Expense Ratio (%) 0.48 / 0.48  
\* Returns are not annualized.

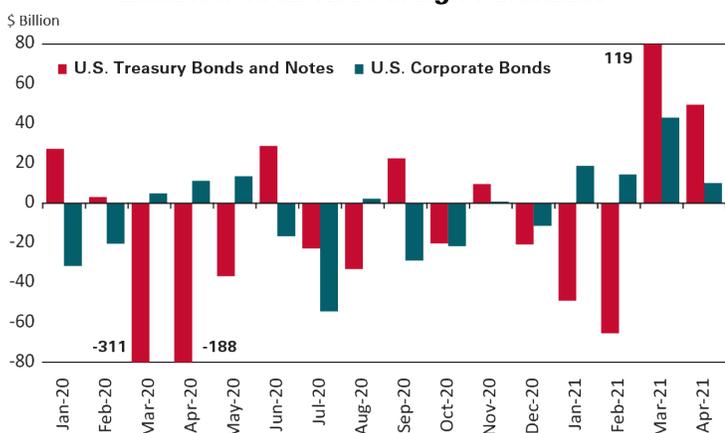
**Performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less 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 0.48%, through March 1, 2022. 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.

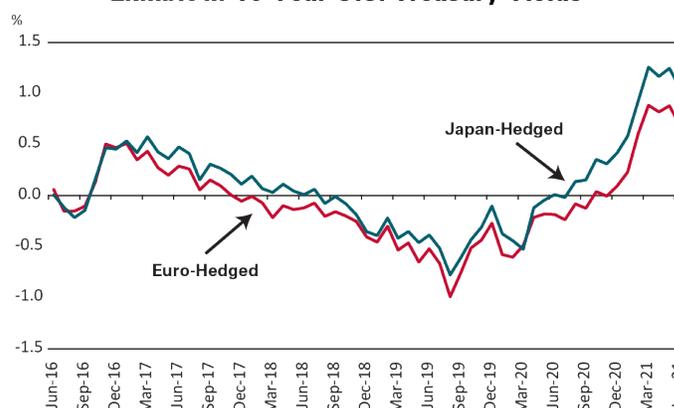
Sources: BBH & Co. and Bloomberg

**Exhibit I: Total Net Foreign Purchases**



Data reported monthly from January 31, 2020 to April 30, 2021  
Sources: U.S. Department of the Treasury and BBH Analysis

**Exhibit II: 10-Year U.S. Treasury Yields**



Data reported monthly from June 30, 2016 to June 30, 2021  
Sources: Bloomberg and BBH Analysis

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**Both spreads (properly credit-adjusted) and our valuation framework are at all time tights**

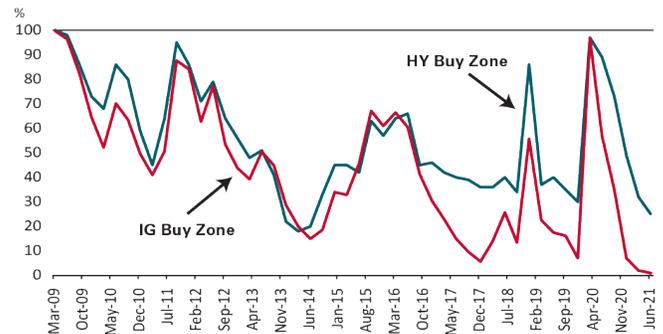
Valuations remain broadly unattractive in corporate debt, although high yield (“HY”) valuations offer far more opportunity than investment grade (“IG”). The investment grade index (as represented by the BofA ML U.S. Corporate Bond index) is the most expensive it has ever been in our valuation framework, with just 1% of the index (about 14 bonds!) pricing in our Buy zone and over 90% in our sell zone (see Exhibit III). IG spreads, unadjusted for ratings and duration, were lower than the current 81 basis points (0.81%) in the 1990s, but adjusted for credit quality and duration they are essentially at those all-time tights (see Exhibit IV). Paradoxically, credit quality trends in HY are much better, in historical context, than IG, and some reasonable valuations remain. Furthermore, street research suggests as much as \$200 billion of “rising stars” (bonds upgraded from HY to IG) in the recovery, including many companies that were “fallen angels” (downgraded from IG to HY) last year, offering some potential for good security selection (see Exhibit V). Shorter, callable yields, such as bank loans and liquid callable bonds continue to make more sense than locking in spreads for longer at historic lows.

While the trend in leverage multiples between IG and HY is stark, it is worth remembering that there are some mega-cap companies (such as ExxonMobil and Boeing) with pandemic-distorted leverage skewing the IG figures (see Exhibit VI). Nonetheless, HY companies are generally more focused on reducing leverage than rewarding shareholders at present, while larger IG companies have grown accustomed to higher leverage and have re-started buybacks. Both have leverage metrics slightly inflated due to pandemic-suppressed earnings/cash flow.

**Agency mortgage-backed securities (“MBS”) on an epic losing streak**

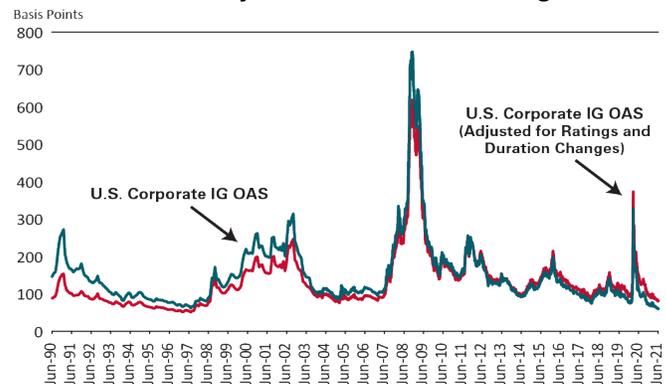
We have been unable to find good value in agency mortgage-backed securities (“MBS”) for many years. We attribute this lack of value to the Fed’s substantial purchases in this sector. Certainly, owning credit instead of agency MBS has been a superior strategy, as agency MBS have

**Exhibit III: Percentage of IG and HY Indices in BBH Buy Zones**



As represented by the BofA ML U.S. Corporate Bond and BofA ML U.S. High Yield Corporate Indexes  
 Data reported quarterly from March 31, 2009 to June 30, 2021  
 IG is represented by the Bloomberg Barclays Investment Grade Corporate Index, HY is represented by the Bloomberg Barclays High Yield Corporate Index  
 Source: BBH Analysis

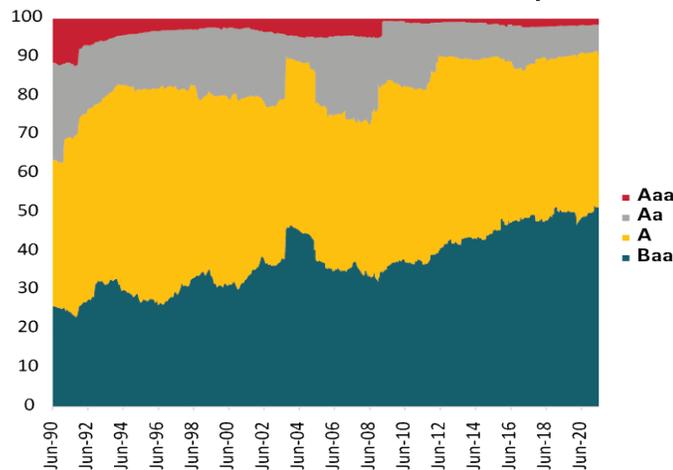
**Exhibit IV: Adjusted OAS at All-Time Tights**



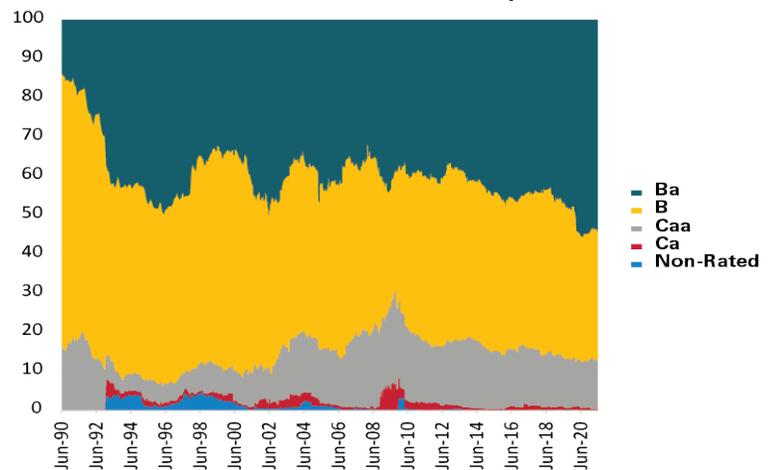
Data reported daily from June 30, 1990 to June 30, 2021  
 Sources: Bloomberg and BBH Analysis

**Exhibit V: Corporate Index Ratings Weights**

**BBB Rated Debt is now 51% of the IG Corp Index**



**BB Rated Debt is now 54% of the HY Corp Index**



Data reported daily from June 30, 1990 to June 30, 2021  
 Credit Quality letter ratings are provided by Standard and Poor’s and Moody’s and are presented as the higher of the two ratings. When a security is not rated by Standard & Poor’s or Moody’s, the highest credit ratings from Fitch, 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. It is possible that BBH investors may receive other communications that show credit quality using different groupings and may only use credit ratings from Standard and Poor’s and Moody’s.  
 Sources: Bloomberg Barclays, Markit, IDC, iso.org, Refinitiv, and BBH Analysis

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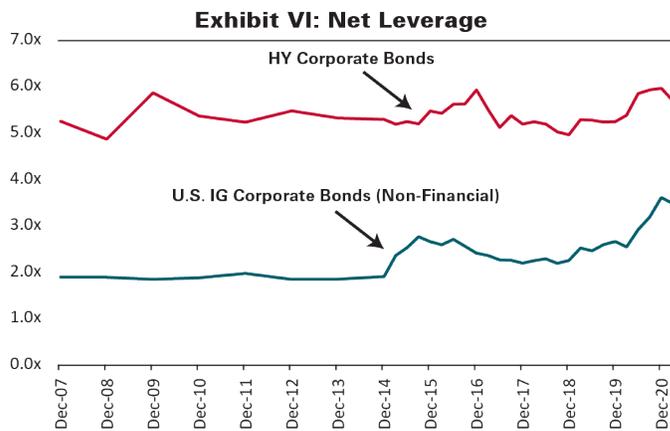
underperformed Treasuries for much of the last five years. MBS underperformance has intensified this year as Fed officials have openly mused about beginning tapering with slower purchases in this sector. While MBS will have to underperform a bit longer before they are attractive in our framework, we are hopeful that perhaps this sector might play a constructive role in portfolios in the coming years (see Exhibit VII).

**Many structured sectors are attracting new investors**

Structured sectors remain attractive relative to similarly-rated corporate debt, and BBH is on record pace for purchases in the first-half of about \$2 billion. But the dent in issuance from last year, and elevated redemption of CLOs this year, are resulting in capital being returned to investors at unusually quick pace. Facing this wall of maturities, maintaining account weightings in structured products has been difficult even with brisk purchases of attractive new exposures. Spreads in more on-the-run structured subsectors like auto asset-backed securities (“ABS”), floorplan ABS, and conduit commercial mortgage-backed securities (“CMBS”) are at post-Crisis lows with a larger than usual proportion of issuance coming at unattractive levels. Spreads in more sheltered off-the-run sectors like venture debt ABS, recurring revenue loan ABS, mall and hospitality CMBS, and short middle market CLOs still offer attractive value amidst the drought (see Exhibit VIII).

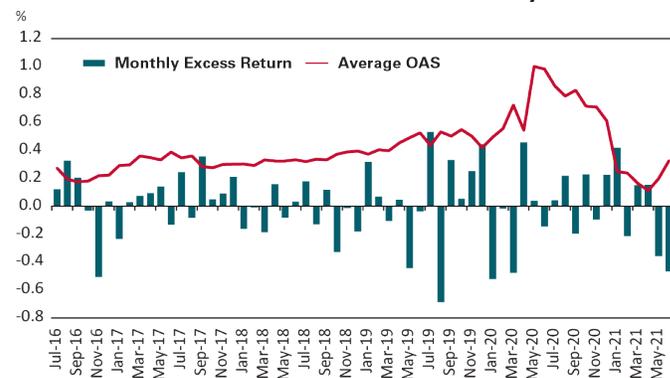
**Pricing recovery from the pandemic is close to complete... or even overshooting**

The second quarter witnessed a “resurrection” trade in structured credits markets, following on similar corporate bond sector recoveries in the most COVID-distressed industries over the last six months. Many collateral types that faced unfathomable disruption last year experienced well-received returns to the capital markets this spring. Hertz emerged from bankruptcy in June with a smaller auto fleet, profitable summer rental rates and a massive \$4 billion ABS deal – the oversubscribed senior tranche priced at a remarkable spread of just 60 bps over Treasuries. Also in June, Blackstone refinanced its Extended Stay America portfolio of limited service hotels in a \$2.5 billion single-asset single-borrower (“SASB”) CMBS deal that was the largest hospitality transaction since COVID.



Data reported quarterly from December 31, 2007 to March 31, 2021  
Data are net leverage and weighted average by market value of debt  
Sources: CapIQ, Bloomberg Barclays, and BBH Analysis

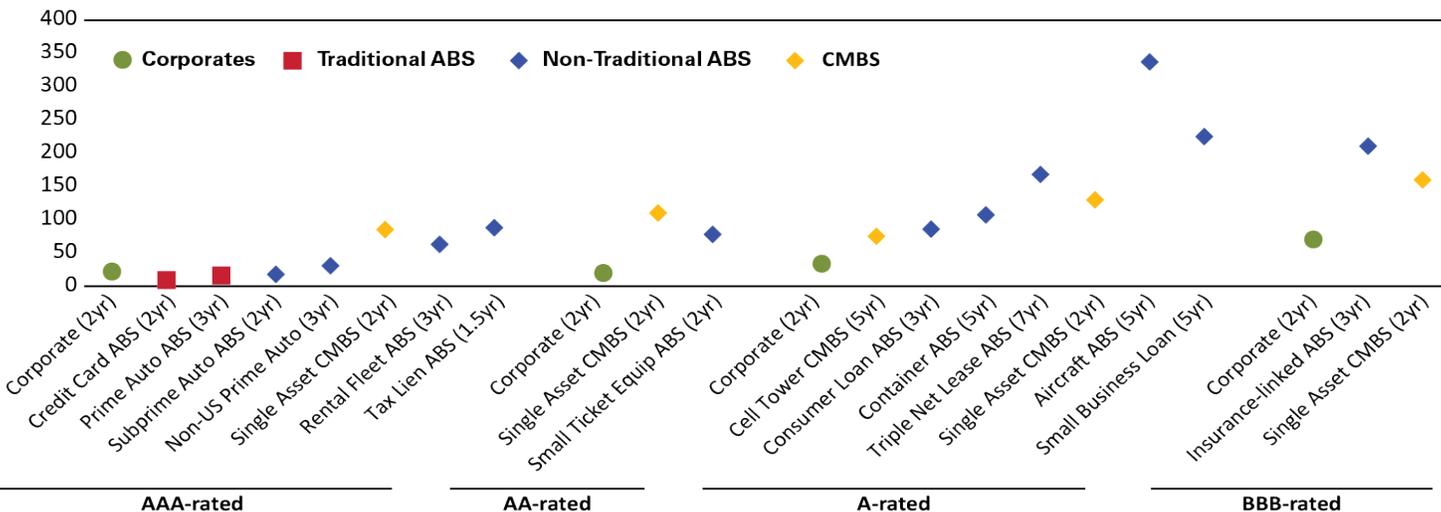
**Exhibit VII: MBS Valuations and Excess Returns (5-Year Annualized Excess Return is Only 0.13%)**



Data reported monthly from July 31, 2016 to June 30, 2021  
Sources: Bloomberg Barclays and BBH Analysis

**Exhibit VIII: ABS and Investment Grade Corporates Spreads**

Spread Over U.S. Treasuries (bps) as of June 30, 2021



Past performance does not guarantee future results  
Data as of June 30, 2021  
Sources: Bloomberg, JPMorgan, and BBH Analysis

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And notably, GE Commercial Aviation Services came to market with a successful securitization of engines on widebody aircraft – planes that were basically parked worldwide in mid-2020. The COVID recovery we have been positioning for in various industries has not only materialized, but now is overshooting, underpricing longer-term risks and cyclicity.

We are still finding and holding a few of the of idiosyncratic and harder-to-find opportunities (ratings ‘crossover’ names, rapid deleveraging stories, off-the-run or misunderstood credits, and high yield-for-illiquidity). Overall, however, we are increasingly focused on short, liquid credit to provide some carry. Recent purchases have emphasized non-traditional ABS, short IG corporates, shorter and middle market CLOs, loans, and callable high yield. We would own more short Treasuries if they offered any kind of yield, but since they do not, we are working overtime to get relatively safe and liquid yield for accounts.

### Inflating opinions about inflation and tapering

The hottest topic in financial markets is whether the recent increase in inflation is transitory or permanent. Month-over-month CPI has been running at 5%-6% annualized rates recently, and an index of online prices, which typically lead official measures, has continued to increase in recent weeks. However, market expectations of inflation, and most economic surveys, seem to agree with the Fed’s view that above-target inflation is transitory. This is the topic of a separate publication by our colleague Jorge Aseff, “Inflation Is Here, But For How Long?” which we recommend to you.

There appears to be some disagreement among Fed members as to when the tapering of purchases and eventual rise in short rates might occur, combined with a general acknowledgement that markets will be sensitive to the onset of tapering. A parade of Fed current and former governors (Waller, Barkin, Bostic, Dudley, Kohn, Rosengren, Williams, ) have taken to media in the last weeks to reinforce how sensitive the Fed is to market expectations, and to give their own interpretations of when and how the Fed will begin tapering, when they might raise rates, and how the economy is recovering. Big picture, they are not far apart, but there is clear disagreement on the short-term path of the economy, and what tapering should look like, in terms of the mix of mortgages and Treasuries (see Exhibit IX).

### So far, official inflation measures are being driven by pandemic recovery

Another potential difference between persistent and transitory inflation pressures lies in the source of pressure. Past episodes of sustained inflation have arisen from wage-price spirals. In the 1970s, the last period of sustained inflation pressure in the US, oil prices pushed up CPI, but many unionized wage contracts were linked to CPI, and responded in kind, further reinforcing the trend in a vicious cycle. No such linkages exist today. Economic policy and the labor market (the evolution of wages in particular) are key to keeping expectations in check. We do not yet see evidence of accelerating wage growth in inflation dynamics.

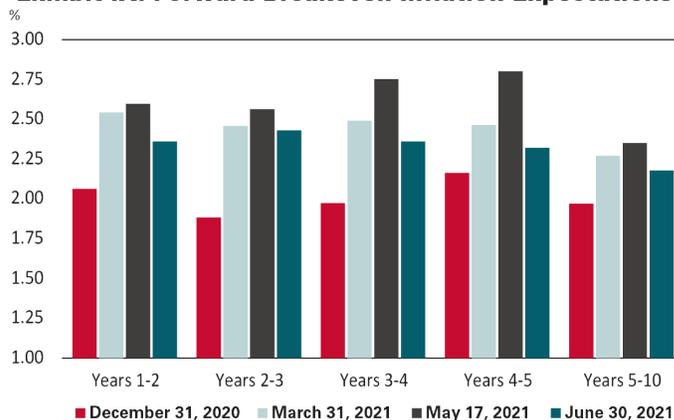
A second source of persistent inflation, particularly for other less-developed countries, has been spiraling inflation expectations, leading to accelerated panic purchasing. We (and the Fed, it seems) believe that anchored inflation expectations are key to keeping long-term inflation under control. Thus far, market-implied and survey-based measures of inflation expectations seem stable and anchored.

Finally, the majority of inflation pressure has been coming from pandemic-sensitive sectors, further supporting the idea that current levels of inflation reflect recovery to 2019 levels rather than a permanent change in factor prices (see Exhibit X).

### The NAIC re-shuffles capital charges

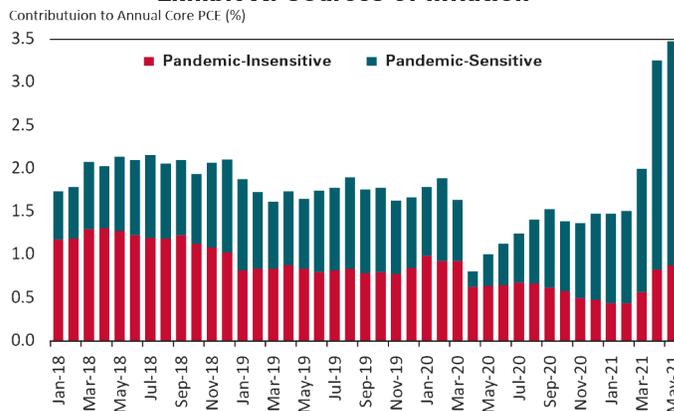
Also in the second quarter, the National Association of Insurance Commissioners (NAIC) released new capital assessments on credit ratings for Life insurers, effectively making it more expensive for insurance companies to buy A rated and BBB minus-rated debt, while providing relief for BBB+ and BB+-rated debt. About \$3.4 trillion of U.S. investments are subject to these charges. Given the change in the composition of debt markets, and our own active management focus on

**Exhibit IX: Forward Breakeven Inflation Expectations**



Data as of June 30, 2021  
Sources: Bloomberg and BBH Analysis

**Exhibit X: Sources of Inflation**



Data reported monthly from January 31, 2018 to May 31, 2021  
Sources: Federal Reserve Bank of San Francisco and BBH Analysis

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credits in the “crossover” range (BBB-BB), we certainly welcome this development on behalf of our insurance clients. Combined with the encouraging trends in BB credit described above, it is also likely to drive spreads between BB and higher-rated credits tighter (see Exhibit XI).

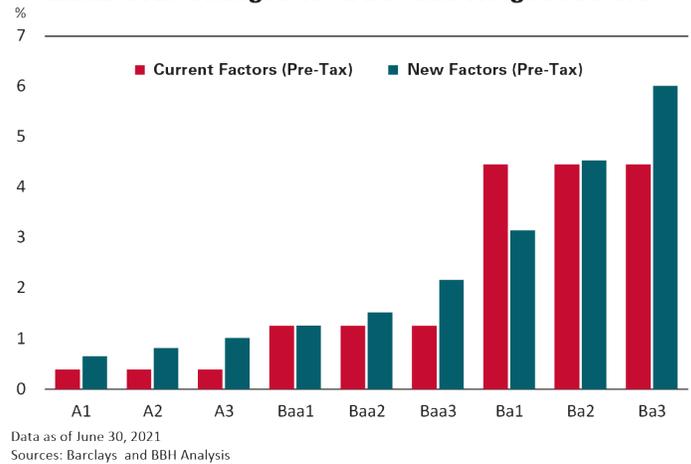
**This was the quarter ESG bonds emerged as a material part of issuance**

2021 is on track to be the second largest issuance year ever, trailing only last year. One part of the market, however, has vastly exceeded last year’s total: ESG bonds, a category that includes sustainability bonds, sustainability-labeled bonds (SLB) and green bonds. Together these sectors represented \$235 billion of issuance in the first six months of 2021, compared to \$188 billion in all of 2020. The trend is strongest in Europe, where a quarter of issuance (IG and HY) came with some sort of ESG label, with the US at 6% of IG and 9% of HY issuance, up from 3%/2%, respectively, in 2020 (see Exhibit XII).

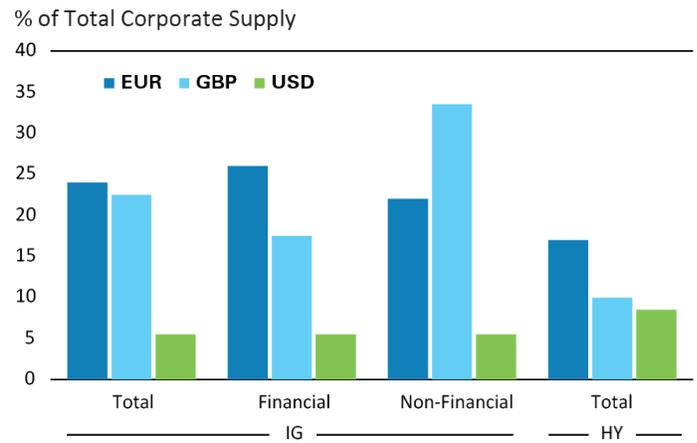
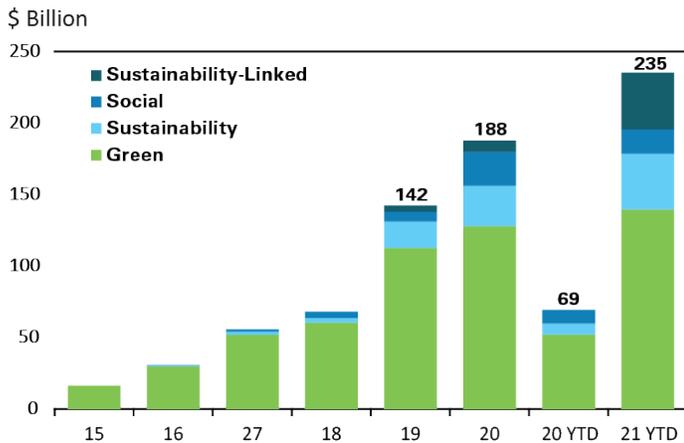
This is a rapidly evolving market, much like ESG investing, and the criteria and borders between differently-labeled bonds are still evolving. There are a few basic concepts around which these categories are developing.

- Proceeds of issuance must be used for a project with specific sustainable or social goals, and segregated and tracked separately from other issuer accounts.
- Process for evaluation of the project must be described thoroughly.
- Reporting and KPIs for success must be clearly established.

**Exhibit XI: Changes to NAIC Risk Weight Factors**



**Exhibit XII: ESG Bond Issuance**



Data reported yearly from December 31, 2015 to June 30, 2021  
Corporate issuers only. DM hard currency bonds only. Includes both UOP bonds and SLBs. Excludes covered bonds.  
Sources: Dealogic, Barclays, and BBH Analysis

Other trends that seem to be emerging include:

- coupon step-downs or targeted covenant relief for achieving KPIs, which are clearly attractive to issuers, and
- independent opinions on the strength of chosen KPIs and achievement of them.

Much like agency rating of ESG risks, there is a wide range of standards and hurdles depending on audience, and more consensus exists around structure and reporting than the merits of specific projects or issuance. In US credit markets, we are seeing significant issuance in real estate to build or refinance LEED-certified buildings, utility issuance for sustainable or less carbon-intensive energy generation, and even pipeline and exploration company issuance geared towards new energy sources, carbon capture, and safer transportation methods.

While there is still clearly room for dubious projects as companies seek strong “ESG” ratings, there is a clear concession in rates. ESG bonds are issuing with 10-30 bps lower yields than non-green alternatives, demanding even tighter spreads from an already spread-starved market, and driving average market spreads lower, as described above.

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## There's always room for surprises

While we don't see signs of emergent persistent inflation yet, and rates have calmed down, there is certainly ample room for surprises that might impact rates, spreads and/ or inflation, such as the volatility of foreign flows, potential foreign relations crises with China, the rocky trend of onshoring (for instance in chips), getting tapering right here and in Europe, and the enormous amount of Treasury and other debt that fixed income markets are asked to absorb with minimal compensation. So while we don't currently see a sustained high inflation developing, we certainly expect more volatility in expectations along the way, with more risk of higher rates and spreads.

Overall, we have arrived at a time to ask our investors to be patient. We are caught in the scissor-blades of low spreads with increasing risk, and negligible rates on risk-free instruments. It is becoming increasingly important to pay the cost of staying liquid and ready to reinvest. Strong credit trends and decent callable short yields are postponing that moment, but higher compensation for risk will eventually be available for the patient investor.

## Portfolio changes over the last 15 months

The Fund passed its three year anniversary in the second quarter, and posted a three year annualized return of 7.59% (Institutional Share Class). This ranks quite high in Morningstar's Core Plus Universe and we were very pleased to earn their Five Star rating in that category. We've long had confidence in our process, but we are pleased that its strengths emerged so quickly through two significant spread cycles in the period: the fourth quarter of 2018 and the dramatic second quarter of 2020. The Fund returned 2.78% in the second quarter, 0.67% year-to-date, and 6.51% for the last twelve months. In terms of attribution, the corporate sector and selection accounted for 70% of the outperformance in the quarter, with a strong showing from corporate selection

In contrast with those opportunity-rich environments, our current investing environment requires patience. In keeping with the overstretched corporate credit valuations described above, we have been investing in shorter credit exposures generally, both in investment Grade ("IG") and high yield ("HY") corporate exposures, and taking advantage of attractive ABS issuance where we can. As these short exposures build up, we have used more Treasury futures to maintain a duration similar to our benchmark. The Fund's credit spread exposure profile overall decreased by another 0.16 years in the third quarter, and tracking error/volatility measures of risk have decreased as well (see Exhibit XIII for changes in the Fund's Key Metrics from the beginning of the year).

The IG and HY valuation situation is much different, with IG credit undercompensated at very high leverage levels while shorter HY and loan exposures pay reasonably well. High yield companies are still focused on deleveraging and may produce some "rising star" upgrade candidates. Taking advantage of these opportunities, the Fund's HY exposure is almost as high as it has ever been, although it remains focused primarily in BB-rated credits (16.2% of the Fund). Most of this exposure is short and callable, and we expect many of these improving credits to return cash to us in the next year or two.

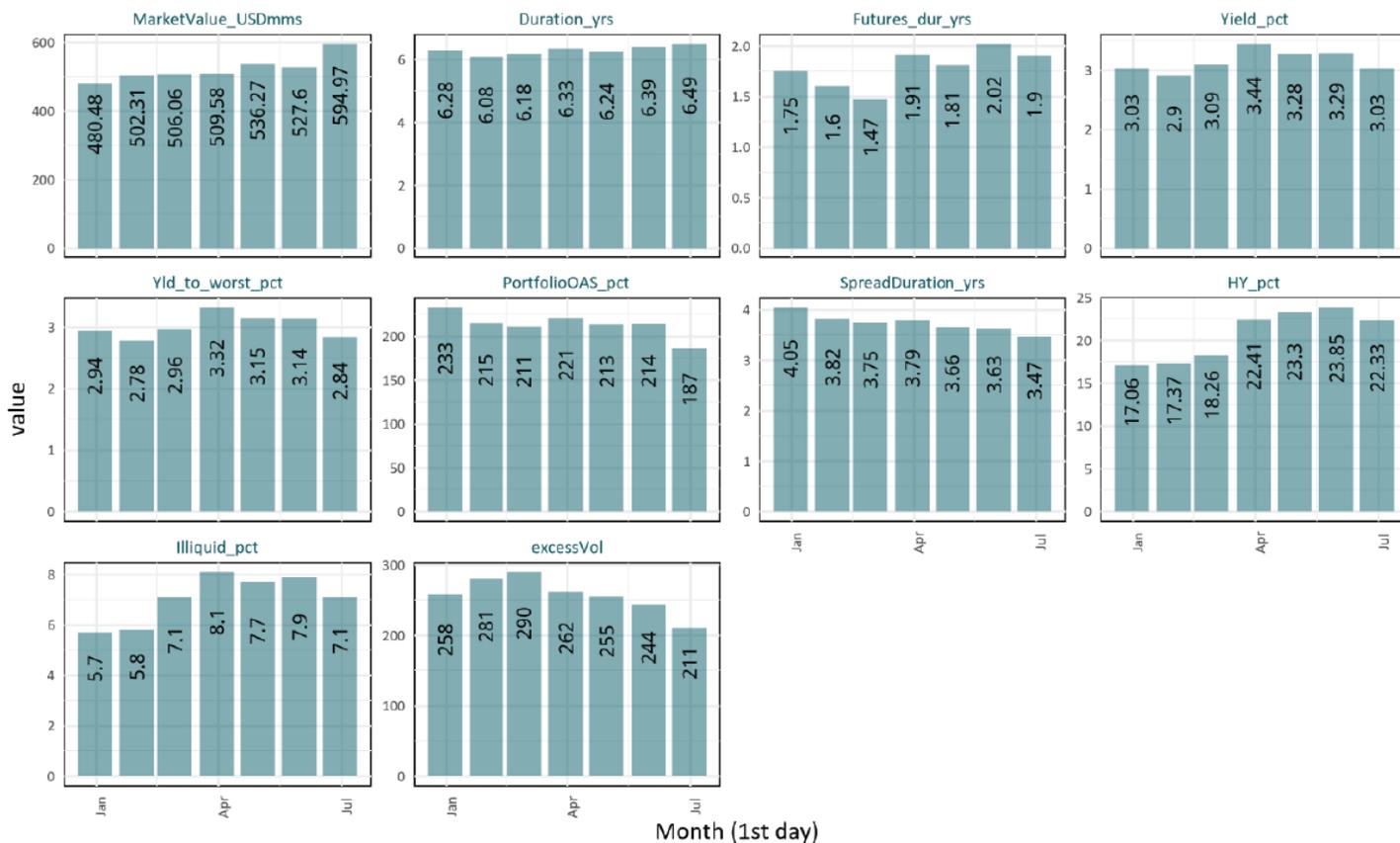
Normally we would be building up Treasury exposure in this environment, but given negative real yields across the Treasury curve, our focus in IG has been on short corporate credits and ABS, which also tend to repay fairly quickly. We can reveal this trend in the graph below, which shows our corporate credit spread duration exposure by 'duration bucket', with the longest durations at the bottom of the stack. Spread duration has been decreasing overall, and is much more focused in shorter duration ranges. This approach seems to differentiate us from other investors who seek to lock in today's meager spreads for longer. They will have been right if spreads are materially lower for the next few years. History suggests that spreads this low haven't lasted so long, with the exception of 2004-2007 and the years leading up to 1998. Both of those cycles broke violently, with forced unwinding of leveraged investors (see Exhibit XIV).

In addition, reserve levels have ticked up in the last couple of months. We describe the woeful underperformance of agency mortgage-backed securities ("MBS") in our Update above, and they remain conspicuously absent from the Fund, amounting to a 27% underweight to our benchmark. We expect that may continue until the Fed begins to taper by reducing its inventory of MBS (see Exhibit XV).

We don't mean to be too gloomy. Our universe of bonds is enormous, and we are finding attractive, above-index yields in a variety of sectors, ranging from insurance companies to pharmaceuticals to personal consumer loan and data center ABS, as well as a few remaining recovery plays such as airlines and new commercial mortgage-backed securities ("CMBS"). We are always on the hunt for the next credit that is durable with an attractive yield, but the search has been getting more difficult and the portfolio composition appropriately reflects that reality.

We hope this look at the changing portfolio composition is useful to you, and helps relate our overall comments about the investing environment in our Quarterly Update to the nuts and bolts of portfolio composition.

### Exhibit XIII: Key Account Metrics BBH Income Fund



Source: BBH analysis and Bloomberg analytics, each holding yield/OAS capped at 15%/1000, respectively

Portfolio holdings and characteristics are subject to change

MarketValue\_USDmms = Market Value of the Fund's holdings in millions of USD

Duration\_yrs = Market weighted average duration of the Fund in years

Futures\_dur\_yrs = Market weighted average duration of the futures positions in the Fund in years. Duration is a measure of the portfolio's return sensitivity to changes in interest rates

Yield\_pct = Market weighted average yield-to-maturity of the Fund

Yld\_to\_worst\_pct = Market weighted average yield-to-worst of the Fund. Yield-to-worst (YTW) is the lowest yield an investor can expect when investing in a callable bond.

PortfolioOAS\_pct = Market weighted average option-adjusted spread of the Fund. The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option.

SpreadDuration\_yrs = Market weighted average spread duration of the Fund in years. Spread duration is the sensitivity of the price of a security to changes in its credit spread. The credit spread is the difference between the yield of a security and the yield of a benchmark rate, such as a cash interest rate or government bond yield.

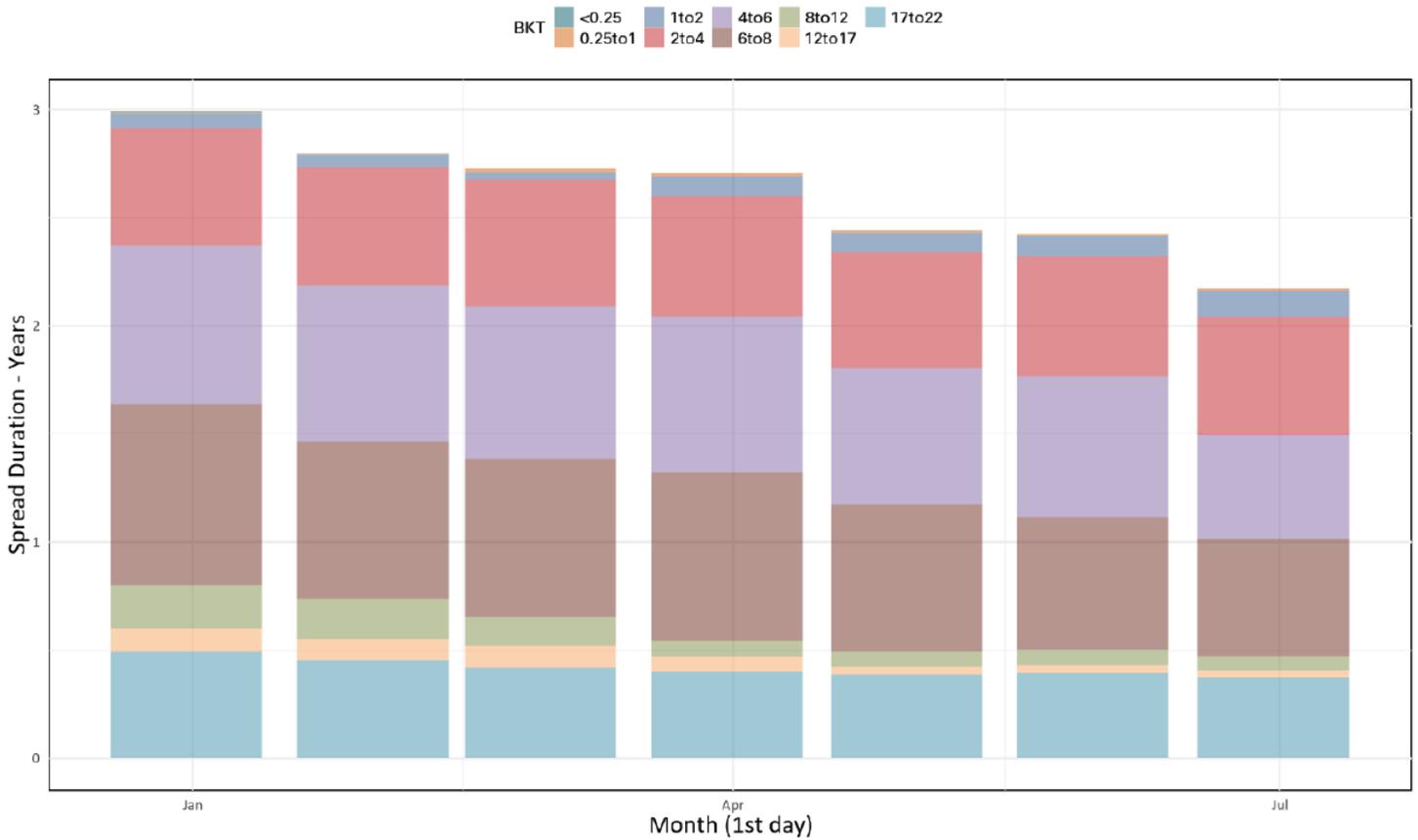
HY\_pct = Percentage of high yield rated securities in the Fund

Illiquid\_pct = Percentage of the Fund that is illiquid. Illiquid means the security cannot be sold within 7 days at or near its mark

excessVol = Annualized predicted absolute volatility of excess returns

totalVol = Annualized predicted tracking error. Tracking Error reflects how the performance of a portfolio deviates from the performance of its benchmark.

### Exhibit XIV: Corporate Spread Duration Contribution by Duration Range BBH Income Fund



Source: BBH analysis and Bloomberg analytics

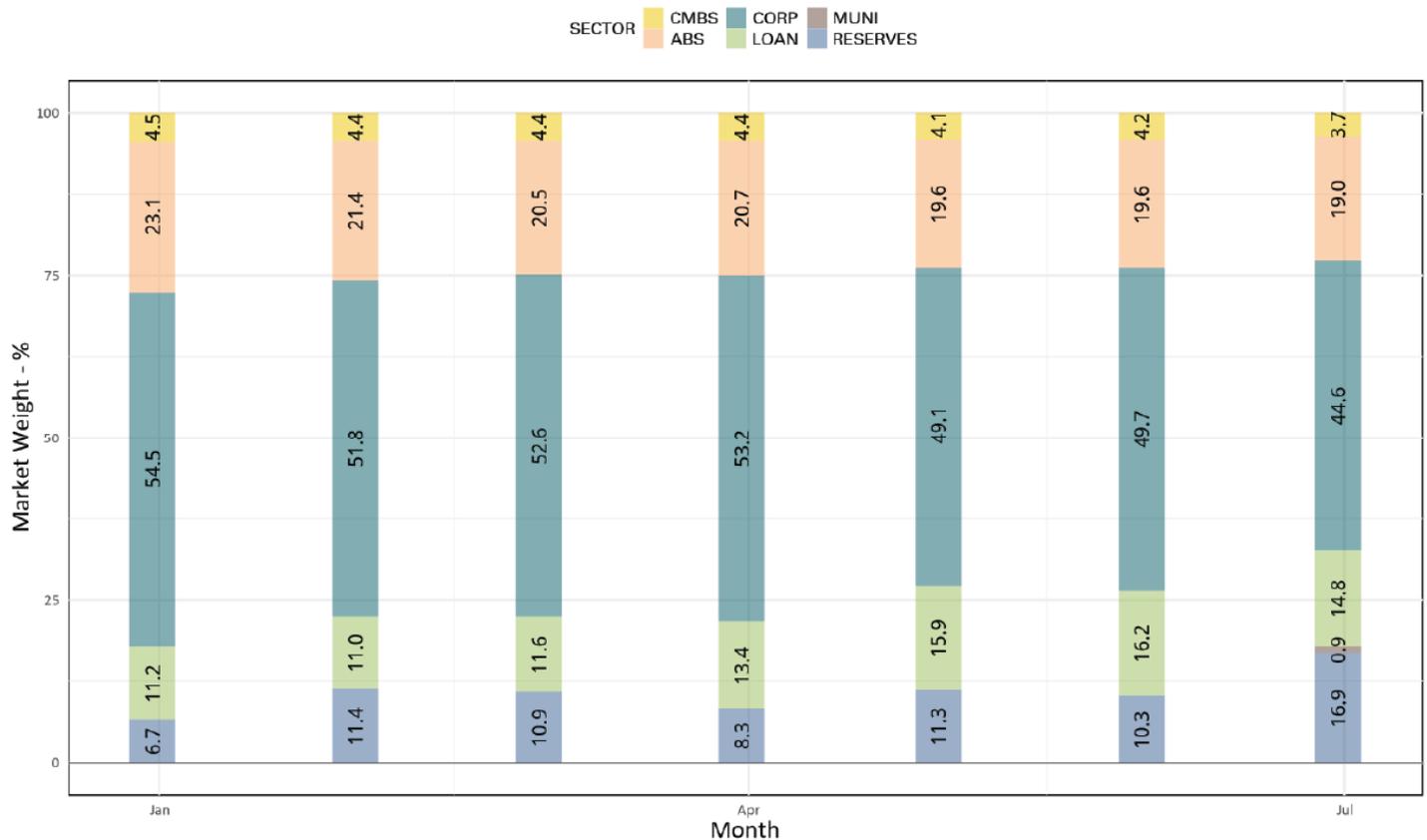
Portfolio holdings and characteristics are subject to change  
Data reported monthly from January 1, 2020 to July 1, 2021

BKT = "Buckets"

This stacked column chart shows the Fund's corporate sector spread duration exposure disaggregated into the duration of the underlying securities (duration "buckets")

For example, the bottom segment represents the spread duration contribution from bonds with a duration of between 4 and 6 years

### Exhibit XV: Market Weight(%) by Sector BBH Income Fund



Source: BBH Analysis and Bloomberg analytics; portfolio holdings and characteristics subject to change

Portfolio holdings and characteristics are subject to change  
Data reported monthly from January 1, 2020 to July 1, 2021

Thank you for investing alongside us in the BBH Income Fund, and we wish you a terrific summer.

Sincerely,

  
Andrew P. Hofer  
Fund Co-Manager

  
Neil Hohmann, PhD  
Fund Co-Manager

  
Paul Kunz, CFA  
Fund Co-Manager

Share Class Overview  
As of June 30, 2021

Overall Morningstar Rating™*	Ticker	CUSIP	Inception Date	Total Net Assets (mil)	NAV	30-Day SEC Yield** (Subsidized)	30-Day SEC Yield** (Unsubsidized)
★★★★★	BBNIX	05528C766	06/27/2018	\$587.1	\$10.52	2.45%	2.45%

\* 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 204 funds in the Ultrashort Bond category as of 6/30/2021.

\*\*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 June 30, 2021	
Cash and Cash Equivalents	1.0%
U.S. Treasuries	15.4%
AAA	7.9%
AA	7.0%
A	16.8%
BBB	29.7%
BB	16.2%
B or Lower	6.0%
Not Rated	0.2%
<b>Total</b>	<b>100.0%</b>

Top 10 Credits As of June 30, 2021	
FS KKR Capital Corp	1.6%
American Airlines Inc/AAAdvantage Loyalty	1.3%
Owl Rock Capital Corp	1.3%
MEDNAX Inc	1.2%
Boeing Co	1.1%
Energy Transfer Partners LP	1.0%
System One	1.0%
Port Authority of New York & New Jersey	1.0%
Swiss Reinsurance Co Ltd	0.9%
Enstar Group Ltd	0.9%
<b>Total</b>	<b>11.2%</b>

Reported as a percentage of total portfolio.

Sector Distribution As of June 30, 2021	
Corporate Securities	45.3%
Asset-Backed Securities	18.6%
Commercial Mortgage-Backed Securities	3.8%
Municipal Securities	1.0%
Loans	14.7%
U.S. Treasuries	17.6%
U.S. Inflation-Indexed Securities	0.7%
Residential Mortgage-Backed Securities	0.5%
Cash and Cash Equivalents	-2.1%
<b>Total</b>	<b>100.0%</b>

Duration Distribution As of June 30, 2021		
	BBH Income Fund	Bloomberg Barclays US Aggregate Index
0 - 1 Yr.	17.0%	0.4%
1 - 2 Yrs.	12.7%	10.6%
2 - 4 Yrs.	31.8%	31.1%
4 - 6 Yrs.	12.7%	19.4%
6 - 8 Yrs.	13.2%	15.2%
8 - 12 Yrs.	3.3%	6.6%
12+ Yrs.	9.3%	16.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Fund Facts As of June 30, 2021	
Number of Holdings	260
Effective Duration (years)	6.57
Weighted Average Life (years)	6.15
Yield to Maturity	3.06%

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 fee and expenses.

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

BBH Fund Information Service: (800) 625-5759

The BofA Merrill Lynch U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

The BofA ML U.S. High Yield Corporate Index tracks the performance of U.S. dollar denominated high yield corporate debt publicly issued in the U.S. domestic market.

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

Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit, maturity, call and inflation risk; investments may be worth more or less than the original cost when redeemed.

The value of some asset-backed securities and mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates and are subject to prepayment and extension risks, as well as risk that the underlying borrower will be unable to meet its obligations.

Below investment grade bonds, commonly known as junk bonds, are subject to a high level of credit and market risks.

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 bond investments.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.

The Fund may engage in certain investment activities that involve the use of leverage, which may magnify losses.

A significant investment of Fund assets within one or more sectors, industries, securities and/or durations may increase its vulnerability to any single economic, political, or regulatory developments, which will have a greater impact on the Fund's return.

Illiquid investments subject the Fund to the risk that it may not be able to sell the investments when desired or at favorable prices.

To the extent that the Fund experiences a large purchase or redemption on any business day, the Fund's performance may be adversely affected.

**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 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. 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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