BROWN BROTHERS HARRIMAN

BBH Intermediate Municipal Bond Fund

Quarterly Fund Update / 4Q 2020

2020: It Was the End of the World As We Knew It (But Munis Did Fine)

BBH Intermediate Municipal Bond Fund Class I ("the Fund") had a total return of 1.11% during the fourth quarter of 2020, compared to a return of 1.33

I think we are in good company wishing 2020 good riddance. The "fear-of-not-knowing" has dominated life and financial markets for most of the past year. From the health and economic impact of the novel Coronavirus, to unprecedented market volatility, to months of doubt about a second stimulus package, we have found ourselves looking for answers during much of 2020. A global pandemic that none of us saw coming turned our personal and professional lives upside-down. As most of the country hunkered down for safety and basic necessities were in short supply, it initially felt like the end of the world. Even R.E.M.'s 1987 hit resurfaced toward the top of the music charts.

While the spring's COVID-19 case counts seem like a mere foothill compared to today's mountain, many of the uncertainties we faced in March and April have dissipated. Back then, there were many significant unknowns. How contagious was the virus; how did it spread; how deadly was it; what could we do to protect ourselves; were there effective treatments? The unknowns were so significant that we voluntarily shut down wide swaths of our economy out of desperation to contain the virus. Our economy plunged, with gross domestic product (GDP) down over 30% during the second quarter – a magnitude comparable to the Great Depression.

In response, financial markets writhed in volatility even greater than that which we endured during the Global Financial Crisis (GFC). Other than in cash and Treasuries, there was no place to hide since most credit sectors experienced their sharpest downturn on record as investors fled for safety. In the process, Municipal mutual funds suffered record redemptions of over $40 billion during the second half of March. The 10-year municipal-to-Treasury yield ratio spiked at 300%, more than twice its GFC high. Even generic triple-A rated five-year municipal bonds plunged almost 10% in price from March 9th to March 23rd.

Performance
As of December 31, 2020

	Total Returns		Average Annual Total Returns			
	3 Mo.*	YTD	1 Yr.	3 Yr.	5 Yr.	Since Inception
Class I	1.11%	5.13%	5.13%	4.50%	4.16%	4.17%
Class N	1.15%	4.94%	4.94%	4.30%	3.99%	4.03%
Benchmark	1.33%	4.73%	4.73%	4.23%	3.39%	3.53%

Class I Inception: 04/01/2014
Class N Inception: 04/01/2014

Class I: Net/Gross Expense Ratio (%) 0.50
Class N: Net/Gross Expense Ratio (%) 0.65 / 0.77

* Returns are not annualized.

The Investment Adviser has contractually agreed to limit the Total Annual Fund Operating Expenses to 0.65% for Class N shares and 0.50% for Class I shares through March 1, 2021. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund's Board of Trustees (the "Board").

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. *Fund shares redeemed within 30 days of purchase are subject to a redemption fee of 1.00%.*

The Bloomberg Barclays 1-15 Year Blend (1-17) Muni Index is a component of the Bloomberg Barclays Municipal Bond index, including bonds with maturity dates between one and 17 years. The Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year. The index is not available for direct investment.

Sources: BBH & Co. and Bloomberg

The investor fear that overwhelmed markets spurred the Federal Government to enact a record-sized relief package, the $2.2 trillion Coronavirus Aid Relief and Economic Security Act (CARES Act). The Federal Reserve (Fed) also joined the relief efforts by cutting short-term rates to zero, initiating over $3 trillion of asset purchases, and activating a wide range of credit-support programs. These efforts helped quell liquidity fears and, as the U.S. flattened the curve after the first wave of infections, investors became more comfortable. Valuations continued to improve over the summer when positive developments emerged on potential vaccines.

Rising infections and hospitalizations, social unrest, a tumultuous presidential election, and months of uncertainty about a second aid package did not disrupt investor optimism. Neither did the termination of the Fed's Municipal Liquidity Facility (MLF). After all, only the State of Illinois and New York's Metropolitan Transportation Authority (MTA) borrowed from it. Investors remain focused on the end of the crisis as multiple vaccines have now successfully crossed the finish line and are in the early stages of distribution.

Consequently, yields and credit spreads have fallen dramatically from the spring. Municipal fund inflows have remained consistently positive over the past few quarters, reversing the weakness earlier in the year. This has left many fund managers scrambling to invest. A relative dearth of tax-exempt new issuance has served to heighten the competition for new supply, acting as a catalyst for the ongoing market rally. Despite broadly

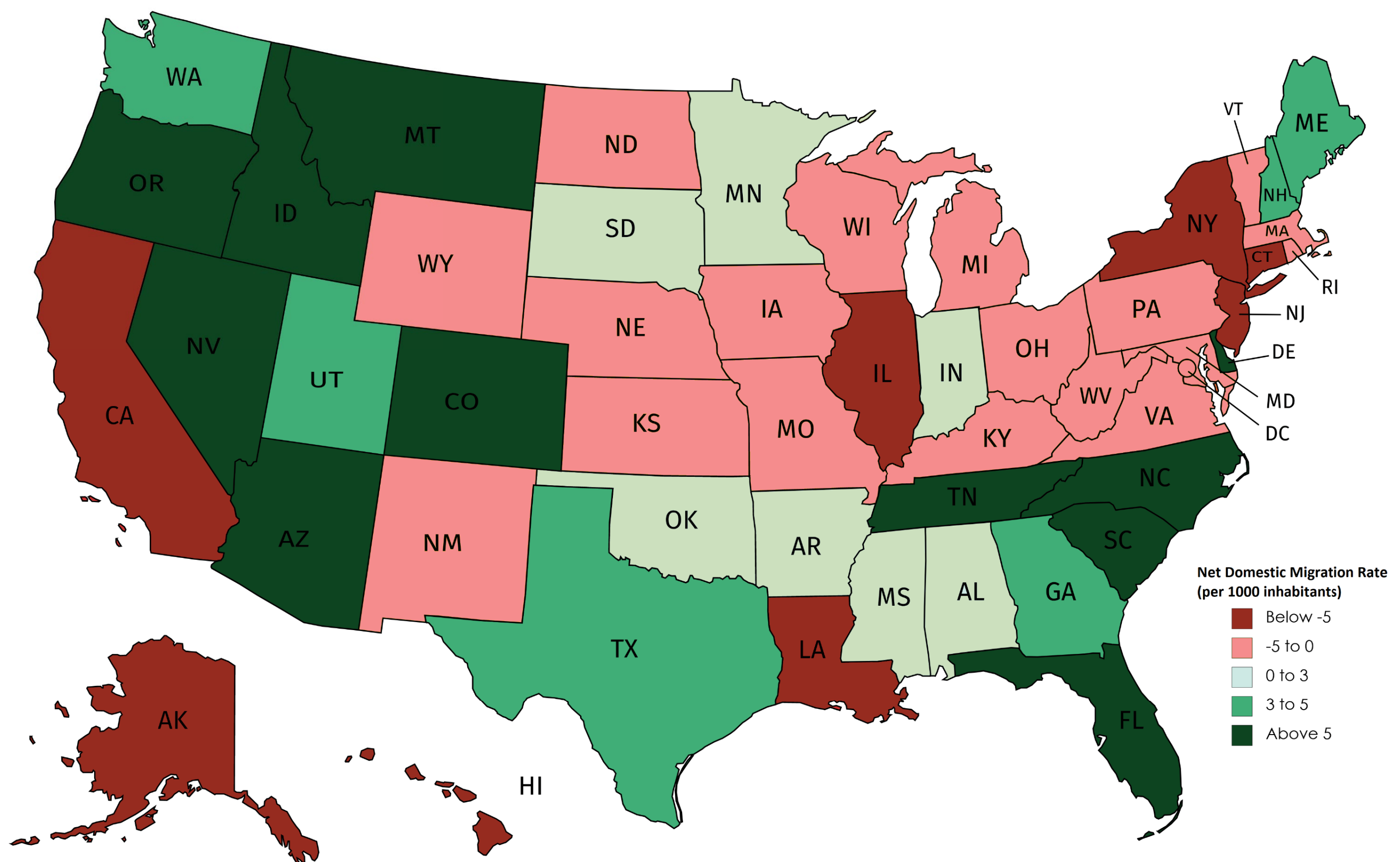
expensive valuations, we still added several attractive opportunities during the quarter including Salem Keizer School District zero-coupon bonds, New Jersey American Water bonds, New Jersey General Obligation bonds, a prepaid natural gas floater backed by Bank of America, and a range of state housing finance authority securities.

Now is not the time for complacency, neither about the coronavirus nor the municipal market. We do not find solace in low market volatility and tight credit spreads. In fact, they make us more cautious as valuations provide a slimmer safety margin. Yes, 2020 was full of loss and hardship, but among the pandemic, widespread social unrest, and the contested Presidential election, the year could have easily gone worse. We are cautiously optimistic that the worst is behind us, but we are cognizant that we will face many lasting credit impacts from the crisis. Some of these challenges can be more readily quantified, while others may take years to fully grasp.

The pandemic has left a deep financial scar across the muni sector that will be felt for years to come. Some sectors like transportation will continue to face significant challenges even as the economy improves. Others may recover more quickly, but we should remember that it took roughly five years for most states to recover from the GFC. The revenue shortfalls have also led to a rapid depletion of reserves, erasing a decade of savings in a flash. For those without strong safety cushions, deficit borrowing has provided short-term relief at the cost of long-term leverage. Where borrowing and spending reserves were not enough, many credits were forced to make tough budget cuts, which in many cases will amplify social risk through a reduction in services. Finally, December's stimulus package failed to provide direct aid to states and cities. With a Democrat-controlled Congress, we expect state and local government assistance is much more likely, but not guaranteed. Combined, these factors leave the muni sector financially vulnerable to further economic headwinds and with fewer tools the address the next downturn.

Looking ahead, the demographic challenges facing municipals are harder to measure. The expansion of remote work, education, and healthcare have caused major shifts in migration and spending patterns. It is unclear how much of this will be a short-term blip as opposed to a long-term change, but the impacts are already being felt. States with high costs of living like California and New York were experiencing outmigration patterns prior to

Population Losers vs. Gainers



Sources: U.S. Census Bureau and BBH Analysis

COVID from both residents and corporations, alike. We anticipate this trend will accelerate. For decades, states competed with their neighbors on the basis of their relative costs of living. Should remote work trends continue, high-tax states may be forced to reconsider their tax policies to

maintain their competitiveness. This outmigration trend will also likely prolong the economic recovery for many areas, while speeding up the recovery for beneficiaries.

The pandemic will also lead state governments to reassess their spending priorities. For example, how necessary is additional transportation infrastructure if fewer and fewer people are commuting to work? Do public universities really need to charge a premium for country club-style amenities when most students can learn online? In some locations, taxes and other revenues will also need to be reassessed; how can a city with a tourism-driven economy maintain their social services with double digit declines in sales taxes? Perhaps the largest impact will be felt by a sector we will not own – Continuing Care and Retirement Communities (CCRCs). Ravaged by the virus, many CCRCs will likely struggle to remain solvent. In addition to potential litigation risk, CCRC's face declining occupancy and weakened financials amid a growing consensus against crowded senior living facilities.

We are not in the business of forecasting these macroeconomic factors and we certainly do not pretend to have all the answers, but we will continue to monitor the long-term effects of the pandemic and assess what it means for our credits.

In a year like 2020, we are fortunate to have found reasons to be grateful. We are pleased at how effectively we transitioned into a remote and physically-distanced operating environment. Zoom meetings and conference calls replaced our usual desk huddles. We effectively shared our internet bandwith with our kids' remote learning. We took care of our families, young and old… and two of our teammates welcomed new children. Talk about stress! Through it all we tirelessly re-underwrote our credits, looked for new virus-driven weaknesses and sought to identify new opportunities, which were more plentiful in the spring than in the fourth quarter. We find it ironic that we ended 2020 just as we started it – bemoaning expensive market valuations!

There are several other important highlights. First, all of our credits remain in good stead and the sales that we executed throughout the year were on our terms – not forced by broken credit theses caused by the virus. Second, although finding new opportunities has become more difficult lately, over the course of the year, we purchased over $1 billion of attractive municipal opportunities for our clients. These bonds represent a silver lining of the crisis. Third, our performance was strong. For the quarter, the Fund modestly trailed its benchmark with a return of 1%. This left our Fund at just over 5% for the year, as a whole, and ahead of its benchmark by 40 basis points[1].

Although none of us anticipated the trying times of 2020, we were still prepared. We prioritize capital preservation and owning durable credits[2] for good reasons. It helps keep our portfolios safe and allows us to respond offensively to market volatility. We are all ready for the healing to begin with a successful vaccine rollout and hopefully a decline in hyper-partisan politics. We look forward to an end of social distancing and to safely seeing our families, friends, colleagues, and clients in-person, once again.

Thank you for your continued trust and confidence and we wish you a healthy, happy, and more normal 2021.

Sincerely,

Gregory S. Steier
Fund Manager

[1] Basis point 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

[2] 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.

Share Class Overview
As of December 31, 2020

	Overall Morningstar Rating ™ *	Ticker	CUSIP	Inception Date	Total Net Assets (mil)	NAV	30-Day SEC Yield** (Subsidized)	30-Day SEC Yield** (Unsubsidized)
Class I	★★★★	BBIIX	05528C824	04/01/2014	$721.0	$11.07	0.72%	0.72%
Class N	★★★★	BBINX	05528C816	04/01/2014	$101.1	$11.08	0.53%	0.50%

* 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 249 funds in the Muni National Interm category Overall Rating as of 12/31/2020.

** 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 December 31, 2020

Cash and Cash Equivalents	4.5%
AAA	28.1%
AA	39.6%
A	23.8%
BBB	3.9%
BB	0.0%
B or Lower	0.0%
Not Rated	0.0%
Total	**100.0%**

Reported as a percentage of portfolio securities.

Top 10 Holdings / Coupon / Maturity
As of December 31, 2020

State of Massachusetts	0.694%	11/01/2025	1.5%
State of Maryland	5.000%	03/15/2025	1.5%
Texas State Muni Gas Acquisition	0.845%	12/15/2026	1.5%
North Dakota State Housing Finance Agency	3.000%	07/01/2051	1.3%
Northern California Gas Authority	0.871%	07/01/2027	1.2%
State of New Jersey	5.000%	06/01/2029	1.1%
Ohio State Water Development Authority	5.000%	12/01/2027	1.1%
Virginia State College Building Authority	5.000%	09/01/2027	1.0%
Philadelphia School District, PA	5.000%	06/01/2033	0.9%
Michigan Qualified School Bond Loan Fund	6.000%	05/01/2029	0.8%
Total			**11.9%**

Reported as a percentage of total portfolio.

Sector Distribution
As of December 31, 2020

General Obligations	35.4%
Pre-Refunded	0.8%
Revenue	63.8%
Total	**100.0%**

Reported as a percentage of portfolio securities.

Fund Facts
As of December 31, 2020

Number of Holdings	324
Number of Issuers Held	126
Effective Duration (years)	4.56
Yield to Maturity	1.04%
Yield to Worst	0.91%

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.

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.

Yield to Worst is the lowest yield an investor can expect when there is optionality on the bond (i.e., call or put, etc.). Yield to Maturity and Yield to Worst are before fees and expenses.

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

There is no assurance that this investment objective will be achieved.

Diversification does not eliminate the risk of experiencing investment losses.

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.

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.

Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax.

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.

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.

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 1000, Denver, CO 80203.

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Not FDIC Insured **No Bank Guarantee** **May Lose Money**

BBH Fund Information Service: (800) 625-5759 IM-08984-2021-01-26 BBH003144 Exp. Date 04/30/2021