BROWN BROTHERS HARRIMAN

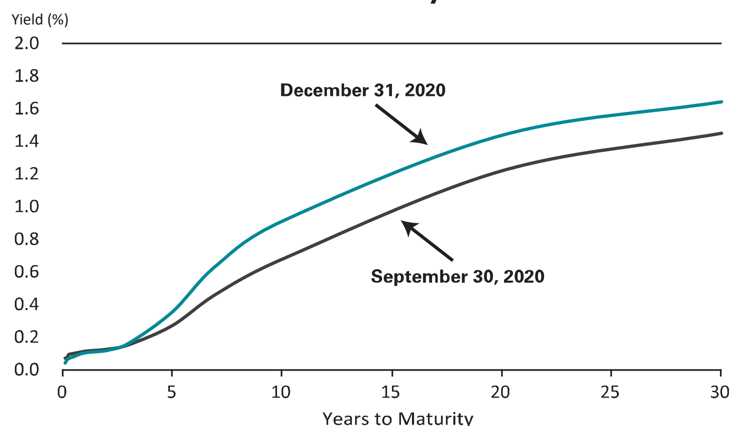
BBH Limited Duration Fund

Quarterly Fund Update / 4Q 2020

If you had been lucky enough to sleep through 2020, and woke up simply to compare the yield-to-maturity on the Fund at year-ends 2019 and 2020, you might conclude nothing much had happened. Market valuations and opportunities are broadly similar to last January as we start 2021. However, we begin this year with 70 percent of global bond supply yielding less than one percent, a new President, a new Treasury Secretary, a changed majority in Congress, a very different growth outlook in many economic sectors, massive amounts of new government stimulus and corporate borrowing, and a long list of uncertainties very different from what was top of mind a year ago.

While we are glad to put last year behind us, it was good to us in a few respects. 2020 was process-affirming, and we generated strong investment performance. We have always understood that periods of high volatility present us with unusual opportunity, and last Spring was one of those moments. In this Quarterly Fund Update, we'll discuss how our process guided us through 2020 and how we view our opportunity set today. Then we'll discuss some of these uncertainties likely to drive the fixed income markets in 2021 and beyond, and the outlook for some pandemic-affected sectors.

U.S. Treasury Curve



Data reported quarterly as of September 30 and December 31, 2020
Sources: Bloomberg and BBH Analysis

Performance
As of December 31, 2020

	Total Returns		Average Annual Total Returns				
	3 Mo.*	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception[3]
Class I[1]	1.38%	3.01%	3.01%	3.15%	2.94%	2.15%	3.90%
Class N[2]	1.26%	2.93%	2.93%	3.07%	2.83%	2.00%	3.74%
Benchmark	0.05%	3.16%	3.16%	2.77%	1.91%	1.31%	2.78%
Reference Benchmark	0.20%	2.59%	2.59%	2.74%	2.23%	1.80%	2.56%

Class I Inception: 12/03/2002
Class N Inception: 12/22/2000

Class I: Net/Gross Expense Ratio (%) 0.28 / 0.28
Class N: Net/Gross Expense Ratio (%) 0.35 / 0.51

* Returns are not annualized.

Benchmark: Barclays Capital U.S. 1-3 Year Treasury Bond Index.

Reference Benchmark: 40% Bloomberg Barclays Short-Term Corporate Index, 40% Bloomberg Barclays US Aggregate ABS Index, and 20% Bloomberg Barclays US Treasury Bill Index.

The Investment Adviser has contractually agreed to limit the Total Annual Fund Operating Expenses to 0.35% for Class N 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").

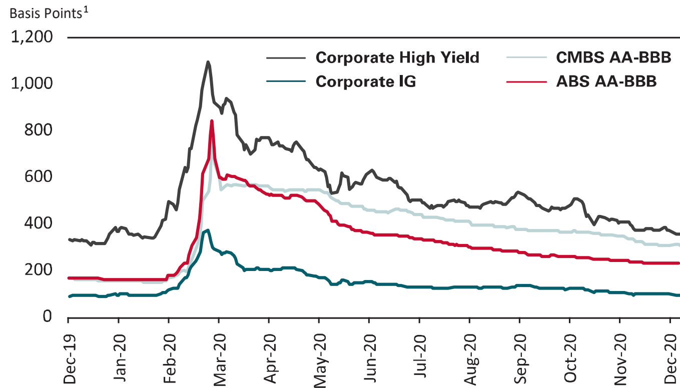
Past performance does not guarantee future results, and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. For performance current to the most recent month-end please call 1-800-625-5759.

[1] 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. [2] 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. [3] "Inception Date" (7/20/2000) is the inception date of the BBH Broad Market Fixed Income Portfolio.

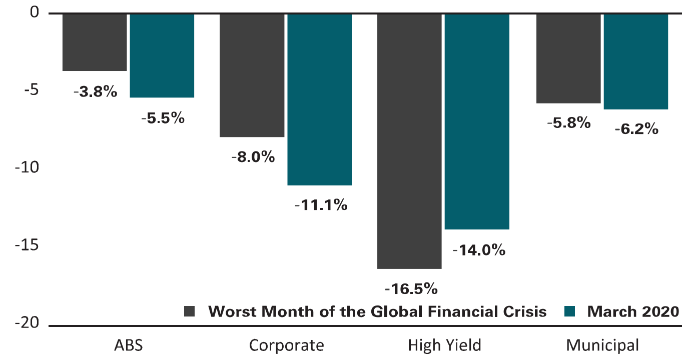
Sources: BBH & Co. and Bloomberg

Valuations: there and back again

As seen in the chart on the top right of the next page, March 2020 was the worst month for investment grade (IG) credit ever – replacing September 2008. In the middle of March, as the Credit Spread chart on the top left of the next page shows, credit valuations went from expensive to intensely attractive in about 10 trading days. In our process, large volatility in valuations typically leads to more trading activity. Our trading volume in credit was up significantly over 2019, as we purchased corporates in the summer and then rotated into new issuance of structured products in the fall. These sector allocation changes, driven entirely by the valuations of individual bonds, were the primary driver of strong excess returns in 2020. Sector exposures led returns through the first half of the year, while positive security selection improved performance in the second half of the year as volatility diminished.

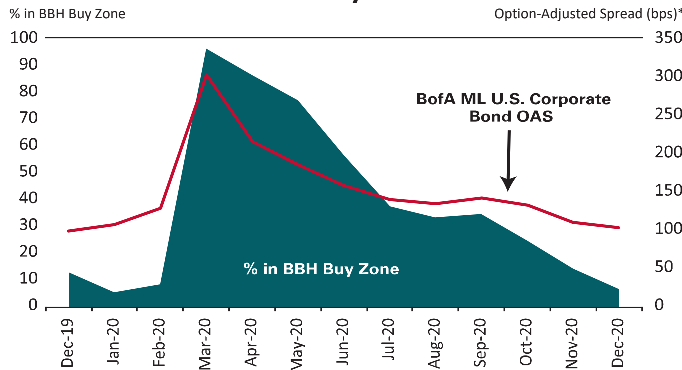


Data reported daily from December 31, 2019 to December 31, 2020
CMBS = Commercial Mortgage-Backed Securities, IG = Investment Grade, ABS = Asset-Backed Securities
Sources: BofA ML, Bloomberg, and BBH Analysis

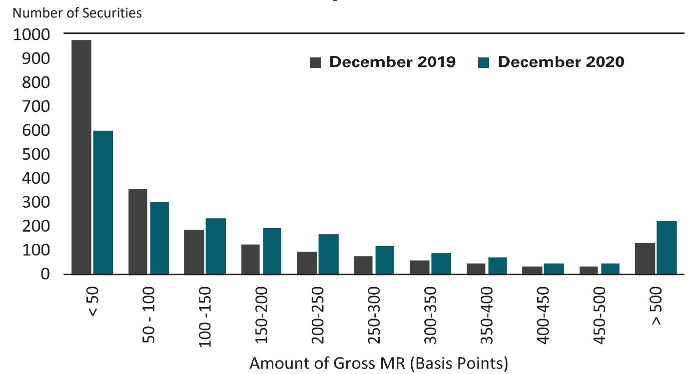


Past performance is no guarantee of future results
Data as of December 31, 2020
ABS = Asset-Backed Securities
Sources: Bloomberg and BBH Analysis

As shown in the below chart on the left, index-level corporate valuations made a fast round trip from the beginning of the year to the end, with less than 10% of the BofA ML U.S. Corporate Bond Index (IG index) in our "buy" zone[1] at the start and end of 2020, but nearly 90% in the buy zone in late March.



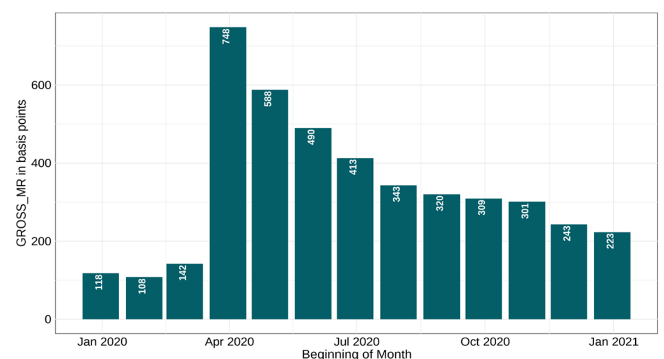
Data reported monthly from December 31, 2019 to December 31, 2020
Sources: BofA ML and BBH Analysis



Data reported as of December 31, 2019 and December 31, 2020
*as represented by the BofA ML U.S. Corporate Bond Index
Source: BBH Analysis

However, a security merely being above our buy level is only part of the story. It is also important to know how far into the buy zone its valuation has improved. For that we must introduce another output of our buy zone model, one we call Gross Mean Reversion or "Gross MR".[3] Think of this as the measure of cheapness or intensity in valuation of credits in our buy zone. Higher is better.

While the number of securities with positive "Gross MR" in the IG Index (i.e. "Buys" or "Holds" in our framework) was about the same at the beginning and end of 2020 as shown in the middle chart on the right, there was somewhat greater dispersion in valuations. For instance, there were more securities with higher Gross MR levels (100 to >500 bps range) at the end of the year than at the beginning of the year.



Portfolio holdings and characteristics are subject to change
Data reported monthly from January 1, 2020 to January 1, 2021
Source: BBH Analysis

[1] Our valuation framework is a purely quantitative screen for bonds that may offer excess return potential, primarily from mean-reversion (a theory that suggests that asset price volatility and historical returns eventually will revert to the long-run mean or average level) 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.

[2] 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.

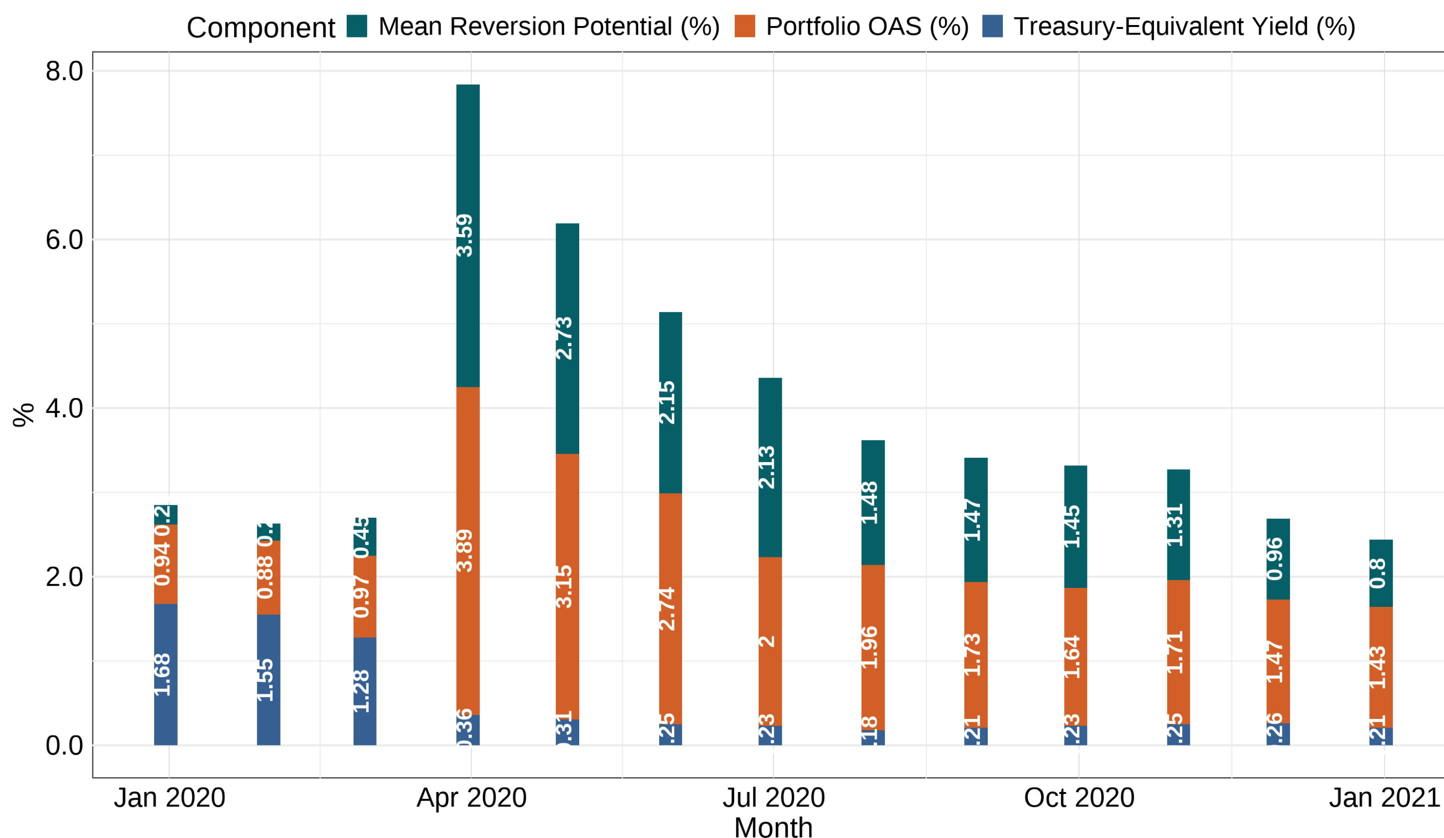
[3] In our framework, a bond is a 'Sell' if Gross MR is negative, and a "hold" or "Buy" when it is positive, and the Gross MR measurement is an estimate of excess return (spread plus additional modeled costs and return potential). If you are interested in learning more about our valuation model, please get in touch with us.

* 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.

Not only do some of the opportunities in corporate valuations have potentially higher returns, but structured products continued to offer higher spreads than at the beginning of the year and tend to out-yield corporates at shorter durations. Investing in select corporate valuation opportunities and structured products are two important components of improving the potential excess return. You can see the better opportunity set we find today reflected in the Fund by looking at the weighted average Gross MR at each month opening through the year (see the chart on the bottom right of the previous page). The Fund's weighted average Gross MR was 1.18% (or 118 basis points) at the beginning of 2020, ranged to almost 7.5% at the beginning of April, and stands at just under 2.25% as we start 2021.

Putting this all together, the chart below shows the changes to the Fund's Gross MR, the dramatic drop in Treasury yields early in 2020, and the fall in spreads through the rest of the year. The total of the Fund's Gross MR plus the Treasury Equivalent Yield at the end of the year is about the same as January 2020, but the spread components are much larger, and the Treasury-equivalent yield is much smaller. Note that the blue component is the Treasury-equivalent yield and the orange component is the spread. The orange and green components add up to the Gross MR, while the green portion is the price behavior "given" our modeling assumptions.

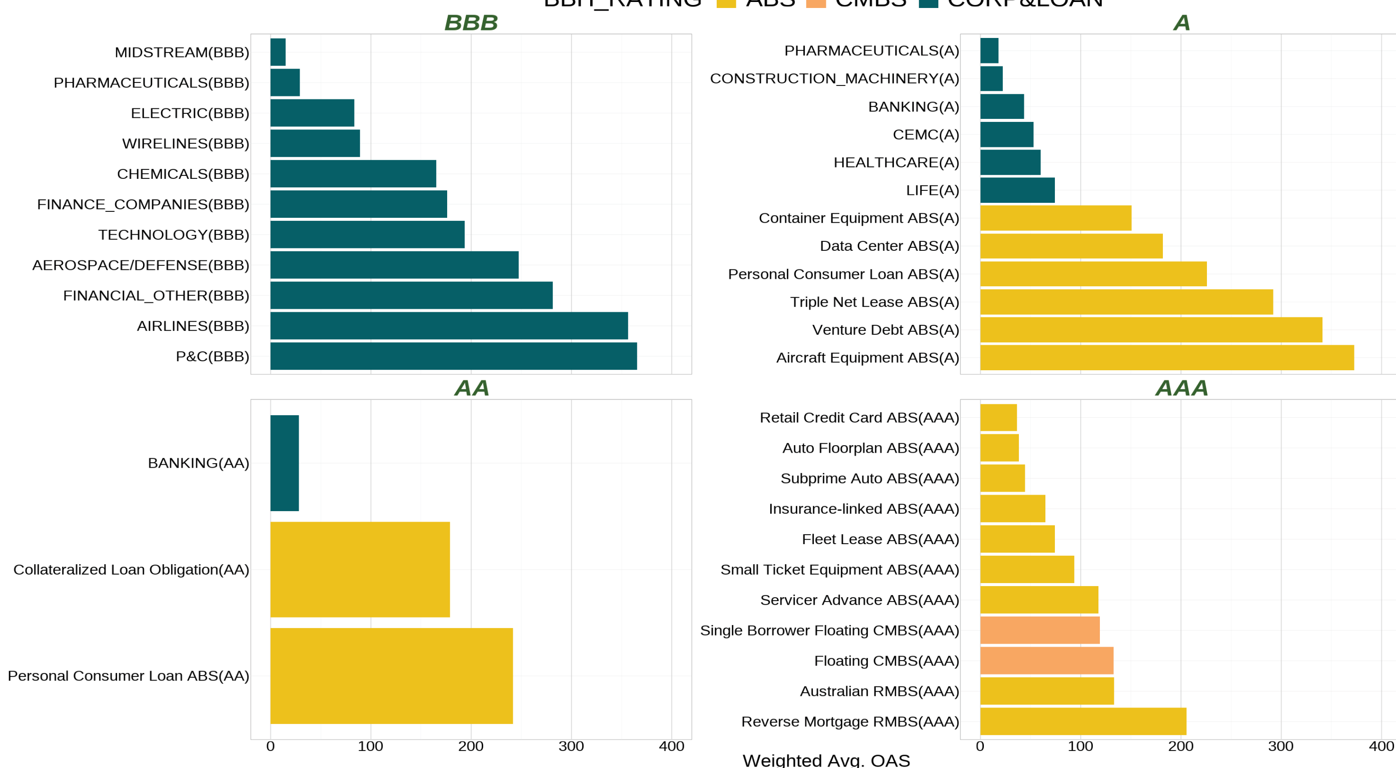
Fund Treasury Equivalent Yield, OAS, and Mean Reversion Potential



Portfolio holdings and characteristics are subject to change
Data reported monthly from January 1, 2020 to January 1, 2021
Source: BBH Analysis

Moving down to the sector level, we can show how our propensity to shift between sectors and individual names may improve the return on the Fund. Corporate IG Index spreads are below 100, but if you look at some of the larger exposures in the Fund, you can see securities from various subsectors with much higher spreads, many from structured sectors. This is particularly true in the highest quality ratings (see chart on the next page).

Low treasury yields and index spreads are discouraging for fixed income investors. But, as last year shows, if yields are volatile, the potential for much better returns are still there.



Past performance is no guarantee of future results
Data as of December 31, 2020
Source: BBH Analysis

Fiscal policies are likely to be supportive, but tax increases are probably on the horizon

Overall, we are optimistic about economic growth prospects once the pandemic begins to abate, given massive fiscal and monetary stimulus, along with pent-up consumer demand and healthy balance sheets. However, unprecedented government stimulus and fear about near term recovery brings a lot of market uncertainty and rapid revision of economic and sector expectations, so we expect volatility along the way.

Components of the Stimulus Package

$1.4 trillion of appropriations to keep the government running through September 30, 2021	$14 billion for public transit
$600 direct payments to most Americans	$13 billion for food-stamp benefits
$300 a week in extra unemployment benefits through March	$13 billion in aid to farmers and ranchers
$284 billion for the Paycheck Protection Program that helps small businesses	$10 billion for childcare
$82 billion for K-12 schools and universities	Extension of the business meals deduction
$69 billion for vaccine development, testing, and community health	Renewal of employee retention tax credit
$25 billion in rental assistance	Changes to the Earned Income Tax Credit (EITC) and child tax credit for those affected by the pandemic
$15 billion for performance venues	"Surprise Billing" legislation, protecting patients from emergency medical bills
$15 billion in aid for airlines	

Source: BBH Analysis

Another stimulus bill was passed in December after Trump's last-minute flirtation with a veto. It includes additional direct payments and unemployment insurance, as well as additional Paycheck Protection Program (PPP) funds and related tax breaks, aid to airlines and mass transit, "medical 'surprise billing' ban", and a variety of other programs, detailed in the accompanying exhibit. In addition, Congress will certainly be contemplating another bill that pays an additional $1,400 to eligible taxpayers in the first weeks of its new term.

The new stimulus is likely to have a similar effect to that in the summer – simultaneously increasing consumer saving and spending. Combined with the potential of vaccines to end the pandemic, stimulus is likely to be supportive of credit in the coming months (see previous page).

A Democratic majority will certainly bring some new policy proposals that could weigh on markets, such as financial transaction taxes, significant tax increases on investments and high-income earners, and additional financial regulation. However, since the Democrats have only the slimmest possible majority and still a handful of more conservative House members, we expect Biden to preside over a largely centrist policy agenda.

The Fed credit purchase programs are over. Long live the Fed credit purchase programs.

The Fed's special lending facilities ended December 31st, and the Federal Reserve (Fed) returned unused risk capital to the Treasury. A provision in the stimulus prohibits the Fed from reviving identical programs without congressional approval. However, this provision is symbolic, since the Fed could make small alterations, rename the programs, and still be able to deploy as much as $750 billion in purchasing power. The Fed determined not to provoke another "taper tantrum" (2013), also announced it would continue Treasury and mortgage-backed security purchases of at least $120 billion per month "until substantial progress has been made" towards its inflation and unemployment goals. With Yellen as Treasury Secretary, we expect much improved cooperation over Fed programs, although perhaps with some social policy strings attached.

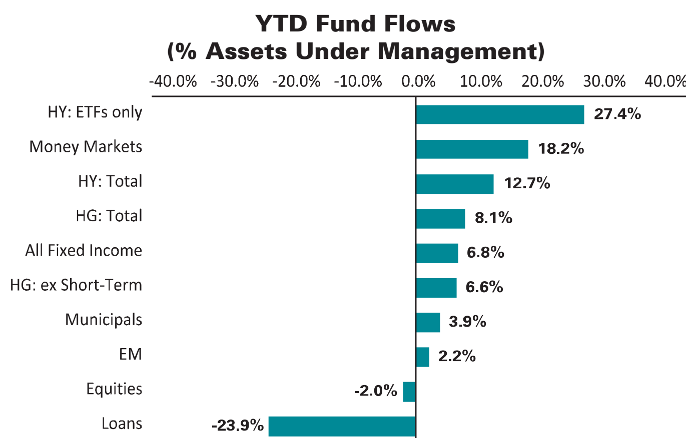
Facilities	Continuing?	Current Expiration Date
Commercial Paper Funding Facility (CPFF)	Yes	3/31/2021
Money Market Mutual Fund Liquidity Facility (MMLF)	Yes	3/31/2021
Paycheck Protection Program Liquidity Facility (PPPLF)	Yes	3/31/2021
Primary Dealer Credit Facility (PDCF)	Yes	3/31/2021
Main Street Loan Facilities	No	12/31/2020
Municipal Liquidity Facility	No	12/31/2020
Primary Market Corporate Credit Facility (PMCCF)	No	12/31/2020
Secondary Market Corporate Credit Facility (SMCCF)	No	12/31/2020
Term Asset-Backed Securities Loan Facility (TALF)	No	12/31/2020

Source: BBH Analysis

Can this torrid demand for credit continue?

The most important sources of marginal demand for U.S. dollar (USD) credit are foreign investors and mutual funds, both of which have gained share in USD credit over the past decade. Both continued to be positive factors in credit prices in 2020, and we expect this trend to continue. Each of these sources of demand is driven by different dynamics.

Foreign investment demand tends to correlate with two related factors: hedging costs and London Interbank Offering Rate (LIBOR)/short-term rates.[4] Lower hedging costs tend to be correlated with greater foreign inflows, since the majority of flows are hedged on a long-term basis. Lower LIBOR rates, as the primary element of funding and hedging costs, also tend to be correlated with higher foreign demand for U.S. assets.



Data reported as of December 31, 2020
HY = High Yield, ETF = Exchange Traded Fund, HG = High Grade, EM = Emerging Market
Sources: Bloomberg and BBH Analysis

Fed policy is likely to remain accommodative, and the Fed programs for banks aimed at funding costs have not expired, so we expect LIBOR and hedging costs to remain low this year. The Fed will also continue buying Treasuries at a rapid pace for the foreseeable future. These trends are supportive for funds and foreign flows into U.S. credit markets.

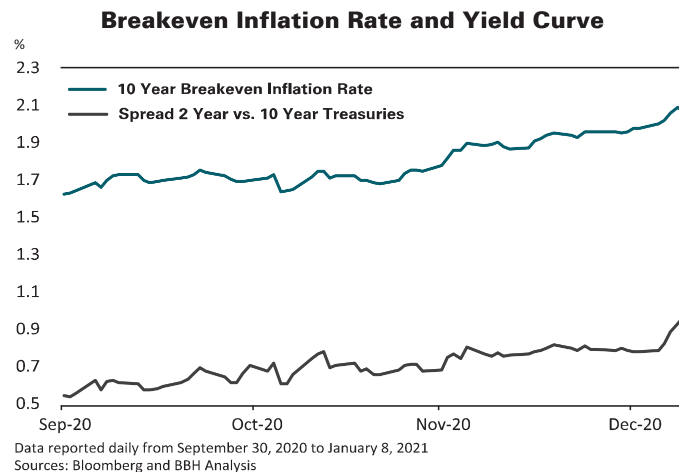
Fixed Income exchange traded funds (ETFs) are generally used as exposure vehicles by institutional money managers and large pools of capital. When a large amount of money needs to be deployed or removed from the corporate bond market, ETFs are the vehicle of choice. For this reason, ETFs tend to be sensitive to market sentiment, and will take in money in periods of risk-seeking or shed assets in times of risk avoidance. Given that the U.S. credit markets are still relatively high yielding, the baseline trend in ETF flows is positive.

[4] For data and explanation of these relationships see "Credit Notes: Four questions on the interplay between the Dollar and cross-border flows into credit markets", Goldman Sachs Credit Strategy Research (Karoui, Lynam), July 29, 2020.

However, given ETF's role as exposure tools, we would not be surprised to see elevated volatility should there be rapid changes in the economic environment, or building investor expectations that the Fed may overshoot its inflation goals.

Speaking of the i-word…

After the run-off election on January 5th, as can been seen in the chart on the right, rates spiked, breakeven inflation rates on inflation-indexed bonds increased to just over 2% for 10 years, and the yield curve steepened, a "reflation trade". Investors have rightfully experienced some fatigue worrying about non-existent inflation since the Global Financial Crisis (GFC). Nonetheless, we believe there may be some reasons to worry about a stronger inflation trend over the coming decade.



Data reported daily from September 30, 2020 to January 8, 2021
Sources: Bloomberg and BBH Analysis

First, we are in the midst of unprecedented global expansionist policy coordination, both monetary and fiscal. It isn't at all clear how much borrowing and spending governments need to do to provoke inflation, but the world's central banks and governments have certainly stepped up to the plate. The Fed has explicitly targeted average inflation, suggesting they would tolerate periods of higher inflation in order to achieve an average above-two percent for the coming years.

Second, and in contrast to the immediate post-GFC period, globalization is in retreat, and there are significant domestic cost drivers that may play a role in creating inflation. Supply chains are onshoring rather than offshoring, which is likely to push up prices in developing economies. The same goes for stricter environmental and social policies, higher minimum wages, and expanded welfare programs. Finally, record wealth levels and strong asset prices may fuel pent-up demand, and the banking system is well-capitalized and fully capable of a role in the transmission of easy monetary policy.

Housing agencies – never mind!

Until recently, clients have been asking us what will happen to the mortgage agencies. Expectations for the agencies to exit conservatorship probably ended on December 15th, when Treasury Secretary Steven Mnuchin indicated that he would not sign a consent order to make the agencies private again. The Director of the Federal Housing Finance Agency, Mark Calabria published new liquidity rules for agencies as private entities on December 17th, but Calabria is not likely to remain in his post even through the comment period. Meanwhile, the Biden administration's focus appears to be on extending the mortgage accommodations embedded in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (set to expire on January 31st), and implementing new programs for equitable access to home finance using the profits remitted from the agencies – suggesting that privatization is on the back burner, and the government is more likely to use the agencies as an instrument for social policy subsidies. Agency mortgage-backed securities should remain government-backed credit, at least for the next few years.

What do business managers expect?

Speaking with management teams, we are a little surprised at the optimism we see even in some of the harder-hit sectors. Most pandemic-affected sectors have substantial liquidity and are looking past current conditions to a robust recovery ahead. Spending is surprisingly strong in less-affected sectors. On the following page we provide a summary of the outlook for some of the pandemic-affected sectors.

When will the pandemic end?

On everyone's mind, of course, is whether the vaccine roll-out will improve from its unpromising start and bring an end to this pandemic by the summer. We believe there is significant pent-up demand among U.S. consumers, and we expect dining, shopping, and traveling activity to pick up sharply as soon as cases appear to taper for a few weeks. Further, there is limited appetite among politicians to strengthen "lockdown" policies in all but the most dire circumstances, so the optimism about economic growth within 2021 seems appropriate.

2020 was a difficult year in many ways, and we are glad to see the back of it. We also would welcome a less chaotic political environment, should that come to pass. But we are very pleased at how our process took us through the gyrations of 2020. Over the past few years, when we've built up allocations to Treasuries and cash, or kept our credit exposures in shorter, higher-yielding bonds, clients have asked if we still expect the kind of overshoot in credit that is embedded in our valuation model. Given all the Fed stimulus and low rates around the world, will we enter an era of spread stability? The answer is an emphatic "no". Bigger government programs and bigger policy uncertainties probably mean *greater volatility.* This was an extraordinary credit cycle, but by no means the last. As you've seen, that bodes well for sticking to our process *of purchasing durable credits*[5] *when they are available at attractive yields.*

[5] 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.

Industry	Industry Notes
Airlines	Global traffic was down about 70% in 2020, with little change expected in the first half of 2021. The second half of 2021 is expected to show sharp a rebound as fliers should regain confidence in travelling and resume local and regional travels.
Automotive	Pandemic-related factory shut-downs affected production, but third quarter revenues and profits surged as low gas prices increased consumer attraction to trucks and SUVs, which are higher margin products. Through December 2020, the rate of auto sales doubled from the lows in April and ended flat year over year.
Banking	Bank balance sheets remain strong despite the negative impact of the pandemic. Revenue growth is expected to occur primarily during Q2 2021 and the base case for 2021 is that bank earnings will rebound from low levels in 2020, due in large part to lower loan loss provisions.
Cable	Pandemic-related shutdowns led to an unprecedent gap higher in demand for connectivity due to work-from-home, remote learning, gaming, and entertainment needs. Analysts expect 2021 top-line revenue growth to continue for Cable companies, although at a slower pace than 2020.
Commercial Real Estate	Retail and hotel sectors will continue to struggle, but property demand should be buoyed by rates, the new PPP program, and strength in the industrial, office, self-storage, suburban multi-family sectors. Institutional sponsorship will help mitigate default risk for larger deals. Hotel demand not expected to return to 2019 levels until 2023.
Electric Utilities	The regulated utilities industry has been resilient through the pandemic. The overall decline in power usage has been only 4.1%, through Oct 2020, led by industrial at -8.6%and commercial at -6.6%. Residential demand grew by 1.6%. Forecasted capital expenditures in 2021 is expected to decline by about 6% relative to 2020 levels, depending on potential renewables regulation that may arise under a Biden administration.
Energy	Energy companies have benefited from a rebound in oil prices and a supply cutback from Saudi Arabia, although an enormous amount of oil remains in storage on land and on the seas.
Healthcare	Hospitals expect continued challenges to profitability, but also more relief measures from the government. Depending on the COVID-19 hospitalization trend, non-emergent, elective surgeries could be curtailed this year but most likely not as much as they were in 2020.
Health Insurance	Profitability for health insurers is likely to be lower than 2020, but better than or par with 2019. Insurers may face higher care expenses for COVID-19 patients, vaccine administration, and catch-up care costs.
Life Insurance	Life insurers, suffering from low interest rates, still managed to perform well in 2020. Most companies are building surplus and are well-capitalized.
Media	Advertising volumes have rebounded to 2019 levels. Executives expect TV ad sales to inflect to positive growth in 2021. The future of the box office remains uncertain as studios are showing a willingness to push tentpole films directly to their respective streaming services (HBO Max, Disney+).
Midstream	Most midstream companies pulled 2020 and 2021 guidance, given the impact of the pandemic on the oil and gas markets. For 2021, pipeline operators are looking for the return of oil and gas products to normalized levels. Transportation fuels, notably jet fuel, are still almost 20% below 2019 levels.
Property & Casualty Insurance	The sector had a difficult 2020, with a record number of named storms and large catastrophe and pandemic losses, but management is optimistic. Premiums for like risks have been increasing at double-digit rates for over a year, and 2020 could be the best pricing environment in decades. Check your homeowner's policy; at least one company is raising premiums 38% year-over-year.
REITs	Real Estate Investment Trusts (REITs) have weathered the pandemic well, even the beleaguered retail sectors. Rent collections are back to 94.9% for strip centers and 82.6% for malls. However, 2020 continues to be uncertain as further lockdowns are possible.
Telecom	Wireless service revenues are expected to increase as carriers charge higher fees for faster network service. However, carriers may face margin pressures due to elevated capital spending to build out their 5G networks and to their aggressive promotions to win customers.

Source: BBH Analysis

Sincerely,

Andrew P. Hofer
Fund Co-Manager

Neil Hohmann, PhD
Fund Co-Manager

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	★★★★★	BBBIX	05528X851	12/03/2002	$7,855.4	$10.32	1.24%	1.24%
Class N	★★★★★	BBBMX	05528X802	12/22/2000	$482.8	$10.32	1.17%	1.03%

* 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 172 funds in the Ultrashort Bond category as of 12/31/20.

** 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	19.2%
U.S. Treasuries	0.0%
AAA	20.8%
AA	7.9%
A	20.4%
BBB	24.9%
BB	5.4%
B or Lower	1.0%
Not Rated	0.5%
Total	**100.0%**

Top 10 Credits
As of December 31, 2020

iShares 1-5 Year Investment Grade Corporate Bond I	2.0%
AerCap Holdings NV	1.3%
Westlake Automobile Receivables Trust	1.3%
FS KKR Capital Corp	1.2%
Oportun Funding LLC	1.2%
AbbVie Inc	1.2%
Owl Rock Capital Corp	1.1%
NextGear Floorplan Master Owner Trust	1.1%
PFS Financing Corp	1.1%
National Australia Bank Ltd.	1.1%
Total	**12.5%**

Reported as a percentage of total portfolio.

Sector Distribution
As of December 31, 2020

Corporate Securities	37.9%
Asset-Backed Securities	23.3%
Commercial Mortgage-Backed Securities	4.9%
Government-Related	2.2%
Residential Mortgage-Backed Securities	1.3%
Municipal Securities	1.2%
Agency Mortgage-Backed Securities	0.1%
Trust Preferred	0.0%
Loans	9.9%
Cash and Cash Equivalents	19.2%
Total	**100.0%**

Fund Facts
As of December 31, 2020

Number of Holdings	307
Effective Duration (years)	0.90
Weighted Average Life (years)	2.05
Yield to Maturity	1.57%

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.

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

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 Fund does not measure its performance success nor alter its construction in relation to any particular benchmark or index. The composition of the Bloomberg Barclays U.S. 1-3 Year Treasury Bond Index is materially different than the Fund's holdings.

The Reference Benchmark is composed of 40% Bloomberg Barclays Short-Term Corporate Index, 40% Bloomberg Barclays US Aggregate ABS Index, and 20% Bloomberg Barclays US Treasury Bill Index. Bloomberg Barclays Short-Term Corporate Index is an unmanaged index comprised of U.S. dollar denominated, investment grade, fixed rate, corporate securities with a remaining maturity from 1 day up to (but not including) 12 months and have at least $250 million par amount outstanding. Bloomberg Barclays US Aggregate ABS Index represents the ABS components of the Bloomberg Barclays U.S. Aggregate Index. Bloomberg Barclays U.S. Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment grade debt issues with at least $300 million par amount outstanding and with at least one year to final maturity. Bloomberg Barclays US Treasury Bills Index is an unmanaged index comprised publicly-issued U.S. Treasury bills with a remaining maturity from 1 day up to (but not including) 12 months. It excludes zero coupon strips. The indexes are not available for direct investment.

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RISKS

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.

Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

Asset-Backed Securities ("ABS") are subject to risks due to defaults by the borrowers; failure of the issuer or servicer to perform; the variability in cash flows due to amortization or acceleration features; changes in interest rates which may influence the prepayments of the underlying securities; misrepresentation of asset quality, value or inadequate controls over disbursements and receipts; and the security being structured in ways that give certain investors less credit risk protection than others.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

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.

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

Asset allocation decisions, particularly large redemptions, made by BBH&Co., whose discretionary investment advisory 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. Other products are offered by Brown Brothers Harriman.

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