BROWN BROTHERS HARRIMAN

BBH Income Fund

Quarterly Fund Update / 2Q 2024

2Q Highlights

- The Fund outperformed the Index during the quarter as sector and rating emphases contributed to relative results.
- Credit spreads narrowed across sectors and qualities despite the rigorous pace of issuance during the quarter, but opportunities in select subsectors of the market remain.
- We identified new opportunities within select sectors and industries for the Fund despite waning opportunities in the credit markets.

Performance as of June 30, 2024

	Total Returns		Average Annual Total Returns				
Fund/Benchmark	3 Mo	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
BBH Income Fund Class I	0.68%	1.17%	6.28%	-1.31%	2.00%	N/A	3.01%
Bloomberg US Aggregate Index	0.07%	-0.71%	2.63%	-3.02%	-0.23%	N/A	1.06%

Class I Inception: 6/27/2018
Class I: Net/Gross Expense Ratio (%) 0.46 / 0.46
Returns of less than one year 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 0.50% through March 1, 2025. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund's Board of Trustees (the "Board").
Sources: Bloomberg and BBH

Market Environment

Treasury rates continued to respond to investors' predictions for forward-looking Federal Reserve (Fed) interest rate decisions. Strong economic data and still-high inflation data caused investors to continue to shift towards a "higher for longer" disposition for the remainder of 2024. Investors still believe the Fed will cut rates by 50 basis points[1] during 2024, but the anticipated amount of rate cuts was 150 basis points at the start of the year. Longer-term interest rates increased across the yield curve to reflect those changes in expectations. Shorter duration fixed income indexes generated positive returns during the second quarter while longer duration indexes experienced negative total returns. Excess returns to credit were generally positive with two notable exceptions: agency mortgage-backed securities (MBS) and long duration corporate bonds.

Credit conditions remain accommodative. High yield default rates remain subdued and continue to be concentrated among CCC-rated issuers, although default rates for all rating categories are below their respective long-term averages. Economic data remained strong, with inflationary pressures persisting and few signs of recession on the horizon. Headline consumer inflation prints have been declining, but wage growth and job openings remains higher than historic averages and could still exert upward pressure on inflation. The Chicago Fed National Activity Index remains above its recession indicator. The U.S. consumer appears to be strong, with loan delinquency rates generally rising off very low bases and not indicating widespread issues. Auto loan delinquency rates rose

Exhibit I: Fixed Income Indexes Returns

	Duration	Total Return (%)		Excess Return (%)	
Index	(Years)	QTD	YTD	QTD	YTD
Morningstar LSTA Leveraged Loan Index[1]	0.3	1.90	4.40	0.57	1.75
Palmer Square CLO Debt Index[1]	0.3	3.41	7.83	2.08	5.18
Bloomberg 2 Year U.S. Treasury Bellwether Index	1.8	0.86	1.10	–	–
Bloomberg ABS ex Stranded Cost Utilities Index	1.9	1.12	1.87	0.17	0.55
Bloomberg U.S. Corporate High Yield Index	3.1	1.09	2.58	0.36	1.96
Bloomberg Non-Agency CMBS Index	3.7	0.87	3.11	0.33	3.00
ICE BofA AA-BBB US Misc. ABS Index	3.9	1.48	3.67	0.90	3.44
Bloomberg Intermediate Corporate Index	4.1	0.74	1.00	0.23	0.93
Bloomberg U.S. TIPS Index	4.9	0.79	0.70	–	–
Bloomberg U.S. Treasury Index	5.9	0.09	-0.86	–	–
Bloomberg EM USD Aggregate Index	6.0	0.68	2.22	0.54	3.08
Bloomberg MBS Index	6.1	0.07	-0.98	-0.09	-0.23
Bloomberg Aggregate Index	6.1	0.07	**-0.71**	**-0.03**	**0.20**
Bloomberg U.S. Corporate Index	6.9	-0.09	-0.49	-0.04	0.85
Bloomberg 10 Year U.S. Treasury Bellwether Index	7.9	-0.36	-2.03	–	–
Bloomberg Taxable Municipal Index	9.3	-0.77	-1.21	-0.23	1.30
Bloomberg Long Corporate Index	12.7	-1.74	-3.39	-0.57	0.68

Source: Bloomberg, Morningstar LSTA, Palmer Square, ICE, Bank of America, BBH
Data reported as of June 30, 2024
Unless otherwise noted Excess Returns are the returns in excess of duration matched Treasuries.
[1] Excess return computed by BBH as total return less the return of the Bloomberg 3 Month T-Bill Bellwether Index, a proxy for the duration profile of floating-rate leveraged loans and CLO debt.

[1] Basis point (bps) is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

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to their highest levels since 2009 but are within expected ranges for Asset-Backed Securities (ABS) to withstand losses without risk of impairment to bondholders. Business loan performance appears healthy, as delinquency rates are low and default rates are declining. Office delinquency rates remain elevated, while non-office commercial mortgage delinquency rates rose moderately. Return to office dynamics remain weak and continue to pressure office real estate values. The weakening office market has not had an outsized impact on banks' commercial real estate loan portfolios to date, as delinquency rates and charge-offs have been muted.

Valuations

We are finding fewer opportunities in traditional segments of the credit markets as risk spreads remain narrow and net issuance is low. According to our valuation framework[2], the percentage of investment-grade corporate bonds that screened as a "buy" remained near to 13%, and the percentage of high yield corporate bonds that screened as a "buy" in our Valuation Framework increased to 20% from 16% at the start of the quarter. No cohort of 30- or 15-year agency MBS met our Valuation Framework for purchases at quarter-end.

Exhibit II: Outlook by Sector

Sector	Outlook	Positioning
Reserves		
U.S. Treasuries/Futures/Reserves	Hold when attractive credits unavailable	Held to balance yield curve and duration exposures
Government-Related	Unattractive valuations; better opportunities elsewhere	No positions in portfolios
Municipal	Valuations of select municipals are attractive for inclusion in taxable portfolios	Holdings include transportation revenue bonds
Structured Credit		
U.S. MBS	No buy opportunities in 15- and 30-year fixed-rate segments of agency MBS markets	No positions in portfolios
RMBS	Continued credit and valuation concerns	No positions in portfolios
CMBS	Opportunities arising among property types with differing credit dynamics	Hold positions in SASB CMBS deals where we have transparency into collateral dynamics
ABS	Opportunities remain in select sectors despite the recent narrowing of risk spreads	Hold positions across diversified set of nontraditional segments
Corporate Credit		
IG Corporate Bonds	Index credit spreads remain at low levels, attractively valued opportunities in benchmarks are scarce	Holdings remain in some interest rate sensitive sectors and among certain security selection opportunities
Corporate Loans	Spreads declined but valuations still attractive while default rates	Holdings are diversified and include credits issued by healthcare companies and airlines
HY Corporate Bonds	Index spreads widened with low default rates and low net issuance, slightly increasing available opportunities	Opportunities tend to reside in industries with challenged business models that require strong credit work
Other Credit		
Emerging Markets	Concerns remain about creditor rights in most emerging market countries	No positions in portfolios

As of June 30, 2024. Portfolio holdings and characteristics are subject to change.

MBS = Mortgage-Backed Securities; RMBS = Residential Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield; SASB = Sing Asset, Single Borrower; REIT = Real Estate Investment Trust

Source: BBH

[2] Our valuation framework is a purely quantitative screen for bonds that may offer excess return potential, primarily from mean reversion in spreads. When the potential excess return is above a specific hurdle rate, we label them "Buys" (others are "Holds" or "Sells"). These ratings are category names, not recommendations, as the valuation framework includes no credit research, a vital second step.

There remain opportunities in select subsectors of the market. The percentage of corporate loans that screened as a "buy" according to our Valuation Framework stood near 60% at quarter-end, down slightly since last quarter. Investment-grade corporate bonds in several interest rate sensitive subsectors, such as life insurance, banking, and finance companies, continue to offer attractive opportunities. In the structured credit markets, we continue to find opportunities in select sectors despite the recent narrowing of risk spreads. Opportunities are arising in the commercial mortgage-backed securities (CMBS) market as investors are differentiating among property types with differing credit dynamics.

We continue to avoid emerging markets credits due to concerns over creditor rights in most countries and its impact on their durability. We continue to avoid non-agency residential mortgage-backed securities (RMBS) due to poor technical factors, and weak fundamentals, underpinned by poor housing affordability, low inventory of homes for sale, and stable-to-declining home prices.

Exhibit III: Fund Attribution

	Average Weight (%)			Contribution (Basis Points - Gross)		
	Portfolio	Benchmark	Active	Rates	Sector	Selection
Total Portfolio	**100.0**	**100.0**	**0.0**	**25**	**32**	**14**
Reserves	17.1	43.8	-26.7		0	0
Government-Related	0.0	3.9	-3.9		0	0
Municipal	0.1	0.0	0.1		0	0
U.S. MBS	0.0	25.6	-25.6		2	0
CMBS	6.3	1.6	4.7		6	2
ABS	21.2	0.5	20.7		5	10
IG Corporate Bonds	36.4	24.6	11.8		11	1
Corporate Loans	11.9	0.0	11.9		3	-7
HY Corporate Bonds	7.1	0.0	7.1		5	8

Past performance is no guarantee future results
Contribution figures are presented gross of fees
Data reported quarterly from March 31, 2024 to June 30, 2024
Basis point or "bp" is 1/100th of a percent (0.01% or 0.0001)
MBS = Agency Residential Mortgage-Backed Securities; RMBS = Non-Agency Residential Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield
Source: BBH

Performance

The Fund's sector and rating emphases contributed to relative results during the quarter. The Fund was overweight to several strong-performing segments of the credit markets, particularly within its holdings of ABS, CMBS, corporate loans, investment-grade corporate bonds, and high yield corporate bonds. Our valuation discipline helped us avoid two underperforming segments of the market: agency MBS and long-dated corporate bonds.

Security selection contributed to results and was positive across sectors except corporate loans. Subsectors that contributed to selection included high-grade property and casualty (P&C) insurers' bonds, large loan CMBS, high yield technology bonds, pharmaceutical and electric utilities corporate loans, and collateralized loan obligations (CLOs). Subsectors that detracted from selection included corporate loans of healthcare, media entertainment, and cable satellite companies.

The Fund's duration and yield curve profile contributed to results during the quarter. Agency MBS was not owned in the Fund but carries a significant weight in the Index. Agency MBS has negative convexity, and its duration can change day-to-day with changes in interest rates and interest rate volatility. We manage the Fund's duration to replicate the Index's duration as transactions occur – not to changes in the Index's day-to-day duration swings – and this contributed as the Fund's duration did not increase while the MBS Index's duration did during an episode of rising interest rates.

Transaction Summary

We continued to find durable credits[3] offering attractive value despite weak attractiveness of valuations of credits in Indexes. The purchases were made across a variety of sectors and industries. The table below summarizes a few notable portfolio additions.

Exhibit IV: Transaction Summary

Obligor	Coupon	Maturity	Yield (YTM)	Rating	Spread	Spread Reference	Duration	Sector	Subsector
Whirlpool Corp	6.55	9/23/2025	6.6	BBB	115	SOFR	0.0	Loan	Consumer Products
Cogent Communications CCOI	7.92	5/25/2054	8.1	BBB	340	Treasuries	4.1	ABS	Cell Tower ABS
Enstar Group Ltd	5.75	9/1/2040	7.3	BBB-	224	Treasuries	1.1	Corporate Bond	Property & Casualty Insurance
Sotheby's ArtFi Master Trust	6.43	12/21/2031	6.4	AAA	150	Treasuries	1.6	ABS	Personal Consumer Loan ABS
Hannon Armstrong Sustainable Infrastructure Capital	6.38	7/1/2034	6.5	BB+	225	Treasuries	7.2	Corporate Bond	Brok-AM-Exch
Regional Management Issuance Trust	5.83	7/15/2036	5.9	AAA	130	Treasuries	3.0	ABS	Personal Consumer Loan ABS
Capital Automotive Reit	5.25	5/15/2054	6.2	A	180	Treasuries	4.1	ABS	Triple Net Lease ABS
MED 2024-MOB	6.90	5/15/2041	7.1	AAA	165	SOFR	0.0	CMBS	Floating SASB
Priority Technology Holdings Inc	10.07	5/16/2031	10.2	B	485	SOFR	0.0	Loan	Technology
BX 2024-PALM	6.84	6/15/2037	7.1	AAA	160	SOFR	0.1	CMBS	Floating SASB

As of June 30, 2024. Portfolio holdings and characteristics are subject to change.
SOFR = Secured Overnight Financing Rate, which is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.
CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities;
Source: BBH

[3] Obligations such as bonds, notes, loans, leases, and other forms of indebtedness, except for cash and cash equivalents, issued by obligors other than the U.S. Government and its agencies, totaled at the level of the ultimate obligor or guarantor of the Obligation. Durable means the ability to withstand a wide variety of economic conditions.

Characteristics

At the end of the quarter, the Fund's duration was 6.0 years and continued to approximate that of its benchmark. Holdings of reserves declined slightly as we identified credit investments that met our valuation and durability criteria. The Fund's allocation to high yield instruments increased slightly to 18%. The Fund's yield to maturity was 6.8% and remained elevated versus bond market alternatives. The Fund's option-adjusted spread was 203 basis points over Treasuries; for reference, the Bloomberg U.S. Corporate Index's was 94 basis points at quarter-end.

Exhibit V: Fund Characteristics

Portfolio Characteristics

	Portfolio	Benchmark	Active
Effective Duration (Years)	6.02	6.13	98%
Spread Duration (Years)	2.90	3.48	83%
Yield to Maturity (%)	6.76	5.00	1.76
Option-Adjusted Spread (bps)	203	39	163

Credit Rating (%)

	Portfolio	Benchmark
AAA/TSY/Cash	23.5	72.3
AA	10.8	3.9
A	23.0	11.6
BBB	24.2	12.2
BB	9.5	0.0
B	7.3	0.0
CCC & Below/NR	1.7	0.0

Sector Allocation (%)

	Portfolio	Benchmark	Active
Reserves	14.7	44.1	-29.4
Government-Related	0.0	3.9	-3.9
Municipal	0.1	0.0	0.1
MBS (Agency)	0.0	25.6	-25.6
RMBS (Non-Agency)	0.0	0.0	0.0
CMBS	7.0	1.6	5.5
ABS	21.9	0.5	21.4
IG Corporate Bonds	36.7	24.5	12.3
Corporate Loans	12.9	0.0	12.9
HY Corporate Bonds	6.7	0.0	6.7

Portfolio holdings and characteristics are subject to change.

Benchmark is the Bloomberg US Aggregate Bond Index

Data reported as of June 30, 2024

TSY = Treausury; MBS = Mortgage-Backed Securities; RMBS = Residential Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities; CLO = Collateralized Loan Obligation

Source: BBH

Concluding Remarks

An environment like this can test the resolve of credit investors. Credit conditions appear relatively benign and issuance is robust, leading even the most disciplined investors to question the virtues of a valuation discipline when no observable risk event appears on the horizon. Opportunities remain, yet the importance of calibrating valuation and credit discipline is of utmost importance when conditions appear calmest.

Sincerely,

Andrew P. Hofer
Fund Co-Manager

Neil Hohmann, PhD
Fund Co-Manager

Paul Kunz, CFA
Fund Co-Manager

Thomas Brennan, CFA
Fixed Income Product Specialist

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 fees and expenses.

The selection effect measures the investment manager's ability to select securities within a given segment relative to a benchmark.

The sector effect measures an investment manager's ability to effectively allocate their portfolio's assets to specific sectors relative to a benchmark.

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Definitions

Bloomberg US 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.

An index is not available for direct investment.

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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. Nothing contained herein is intended as a recommendation to buy or sell any security, or to invest in any particular country, sector or asset class.

Traditional ABS include prime auto backed loans, credit cards and student loans (FFELP). Non-traditional ABS include ABS backed by other collateral types.

Risks

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.

SASB lacks the diversification of a transaction backed by multiple loans since performance is concentrated in one commercial property. SASBs may be less liquid in the secondary market than loans backed by multiple commercial properties.

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.

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.

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.

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