BROWN BROTHERS HARRIMAN

CAPITAL PARTNERS

BBH Limited Duration Fund

Quarterly Fund Update | 4Q 2024

4Q Highlights

- The Fund outperformed its benchmark during the quarter on the heels of favorable credit selection results, sector and rating emphases, and defensive duration positioning.
- We believe many credits' valuations are overbought and disconnected from their fundamentals, necessitating a cautious and careful credit selection approach.
- We continued to find durable credits offering attractive value despite weak attractiveness of valuations of credits in indexes.

PERFORMANCE AS OF DECEMBER 31, 2024

	Total returns		Average annual total returns				
Fund/benchmark	**3 mo.**	**YTD**	**1 yr.**	**3 yr.**	**5 yr.**	**10 yr.**	**Since inception**
BBH Limited Duration Fund - Class I	1.10%	6.74%	6.74%	4.41%	3.48%	2.94%	3.85%
BBH Limited Duration Fund - Class N	1.08%	6.76%	6.76%	4.34%	3.42%	2.83%	3.71%
Bloomberg US 1-3 Year Treasury Bond Index	-0.10%	4.03%	4.03%	1.43%	1.36%	1.38%	2.47%
Reference Benchmark	0.68%	5.37%	5.37%	3.26%	2.47%	2.23%	2.53%

Class I inception: 12/03/2002; Class I: Net/gross expense ratio (%) 0.28 / 0.28

Class N inception: 12/22/2000; Class N: Net/gross expense ratio (%): 0.35 / 0.49

Returns of less than one year are not annualized.

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").

The Reference Benchmark is an unmanaged weighted index comprised as follows: 40% Bloomberg Short-Term Corporate Index; 40% Bloomberg US Aggregate ABS Index; and 20% Bloomberg US Treasury Bills Index. The inception date of the reference benchmark is 12/31/04. The indexes are not available for direct investment.

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.

Sources: Bloomberg and BBH

Market environment

Treasury note yields rose last quarter despite the Federal Reserve's (the Fed) campaign of cutting interest rates. The Fed cut the federal funds rate by a total of 0.50% during the quarter and 1.00% during the 2024 calendar year. Nevertheless, note yields rose across all tenors, on the quarter and for the year driven by lower expectations for interest rate cuts in 2025. Fed funds rate expectations for the coming year were 4.00% vs. 3.00% when the quarter began.

Most fixed income indexes experienced negative quarterly total returns due to the rise in interest rates. The Bloomberg U.S. Aggregate Index declined more than 3%. Excess returns to credit, however, were overwhelmingly positive as credit spreads in mainstream indexes narrowed further to their cyclical lows.

Short- and intermediate-duration fixed income indexes managed positive total returns for 2024 despite the rise in interest rates. Long-duration indexes posted negative total returns during the calendar year as the rise in interest rates offset any yield benefits. The Bloomberg U.S. Aggregate Index advanced just 1.3% in 2024, three points lower than its 4.5% yield at the start of the year. Excess returns to credit were positive across all major sectors in 2024.

EXHIBIT I: FIXED INCOME INDEXES RETURNS

	Duration	Total return (%)		Excess return (%)	
Index	**(Years)**	**QTD**	**YTD**	**QTD**	**YTD**
J.P. Morgan Leveraged Loan Index[1]	0.3	2.41	9.33	1.23	4.04
Palmer Square CLO Debt Index[1]	0.3	2.52	13.22	1.34	7.93
Bloomberg 2 Year U.S. Treasury Bellwether Index	1.8	-0.19	3.79	–	–
Bloomberg ABS ex Stranded Cost Utilities Index	1.9	0.43	5.42	0.51	1.25
Bloomberg U.S. Corporate High Yield Index	3.1	0.17	8.19	1.17	5.02
Bloomberg Non-Agency CMBS Index	3.7	-0.72	7.03	1.06	4.73
ICE BofA AA-BBB US Misc. ABS Index	3.9	-0.13	7.37	1.69	4.94
Bloomberg Intermediate Corporate Index	4.0	-1.40	4.22	0.60	2.10
Bloomberg U.S. TIPS Index	4.1	-2.88	1.84	–	–
Bloomberg U.S. Treasury Index	5.8	-3.14	0.58	–	–
Bloomberg EM USD Aggregate Index	5.9	-1.47	6.58	1.78	6.14
Bloomberg Aggregate Index	6.1	-3.06	**1.25**	**0.18**	**0.78**
Bloomberg MBS Index	6.2	-3.16	1.20	-0.13	0.37
Bloomberg U.S. Corporate Index	6.8	-3.04	2.13	0.82	2.46
Bloomberg 10 Year U.S. Treasury Bellwether Index	8.0	-5.19	-1.73	–	–
Bloomberg Taxable Municipal Index	9.2	-4.39	0.09	1.11	2.42
Bloomberg Long Corporate Index	12.5	-6.20	-1.95	1.25	3.10

Source: Bloomberg, Morningstar LSTA, Palmer Square, ICE Bank of America, BBH
Data reported as of December 31, 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

Strong economic data does provide a tailwind to credit, although risks are emerging with looming changes to U.S. fiscal policies. Headline consumer inflation prints have been declining but remain above Fed targets. Wage growth and job openings remain higher than historic averages and could still exert upward pressure on inflation. The Chicago Fed National Activity Index remains above its recession indicator.

Corporate default rates diverged between bonds and loans, with the default rates on bonds lower and loans higher. Distressed exchanges and liability management exercises – which are undertaken by companies to avoid default but still disadvantage debtholders – are increasing. Overall, default rates for bonds and loans were steady year over year. Defaults continue to be concentrated among CCC-rated issuers, although default rates for all rating categories are below their respective long-term averages. Business loan performance appears healthy, as delinquency and charge-off rates are low and new bankruptcy filings are near pre-pandemic lows.

There are some signs of stress emerging for U.S. consumers. Loan delinquency and charge-off rates are rising to normal levels across many loan types, while the prospects of higher-for-longer interest rates and the resumption of federal student loan repayments loom as risks to straining the U.S. consumer. The increases in loss and delinquency rates remain within expected ranges and do not signal heightened risk of impairment to asset-backed securities (ABS) bondholders.

Commercial real estate headlines remain disconnected from property-level dynamics. High-quality properties have refinanced and there have been minimal losses on paydowns in commercial mortgage-backed securities (CMBS) deals. Commercial real estate woes have not had an outsized impact on banks' commercial real estate loan portfolios to date, as delinquency rates and charge-offs have been muted.

Heavy credit issuance and narrowing risk spreads were among the biggest stories of the fourth quarter and the 2024 calendar year. Headline issuance volumes were robust across credit sectors. Net issuance, though, was more moderate in most sectors, as most 2024 issuance was to refinance existing debt. Nontraditional ABS are the exception, as the outstanding market of nontraditional ABS grew 11% year over year on the heels of a 34% surge in volumes.

Valuations

The compression of credit spreads amid low net issuance growth and strong inflows into fixed income is suggestive of an environment where many credits' valuations are overbought and disconnected from their fundamentals. BBH's valuation framework[1] lends credence to that theory. The framework identifies few opportunities today in traditional index segments of the credit markets. The percentage of potential "buy" opportunities is screening near cyclical low levels across most sectors. It's declined to 4% from 7% for investment-grade corporate bonds, to 58% from 68% for corporate loans, and to 16% from 19% for high-yield corporate bonds. No cohort of the 15- or 30-year mortgage-backed securities (MBS) market screens as a "buy" candidate. Away from credits in mainstream indexes, bonds of collateralized loan obligations (CLOs) and a minority of nontraditional ABS sectors have narrowed to recent lows and screen unattractively for new purchases, although most non-traditional ABS and CMBS continue to screen attractively.

There remain opportunities in select subsectors of the market. Investment-grade corporate bonds in life insurance and banking, two interest rate-sensitive subsectors, continue to offer attractive opportunities. The corporate loan market continues to offer numerous opportunities that screen as "buy" candidates. In the structured credit markets, we continue to find opportunities in a variety of ABS subsectors through our bottom-up process. Opportunities are arising in the CMBS market as supportive property and deal-level dynamics are disconnected from the negative headlines impacting the sector.

We continue to avoid emerging markets credits due to concerns over creditor rights in most countries and the impact on their durability. We continue to avoid non-agency residential mortgage-backed securities (RMBS) gen-

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 purchase opportunities in 15- or 30-year pools	No positions in portfolios
RMBS	Continued credit, technical, and valuation concerns	No positions in portfolios
CMBS	Opportunities exist among high-quality properties seeking to refinance	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	Amount of attractively valued opportunities in benchmarks are near cyclical low levels	Holdings remain in some interest rate sensitive sectors and among certain security selection opportunities
Corporate loans	Roughly half the universe screens attractively	Holdings are diversified and include credits issued by healthcare, airlines, and technology companies
HY corporate bonds	Amount of attractively valued opportunities in benchmarks are near cyclical low levels	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 December 31, 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 = Single Asset, Single Borrower; REIT = Real Estate Investment Trust
Source: BBH

[1] 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.

erally due to poor technical factors, unattractive valuations, and weak fundamentals, underpinned by poor housing affordability, low inventory of homes for sale, and stable-to-declining home prices.

Performance

The Fund outperformed its benchmark during the quarter on the heels of favorable credit selection results, sector and rating emphases, and defensive duration positioning in an episode of sharply rising interest rates.

The Fund's duration profile contributed to total returns during the quarter as interest rates rose, and it had a stronger impact on relative returns as the Fund's one- to three-year Treasury benchmark had a slightly negative return during the quarter.

The Fund's sector and rating emphases contributed to relative results during the quarter. The Fund was allocated to strong-performing segments of the credit markets within its holdings of investment-grade corporate bonds, ABS, CMBS, and corporate loans.

EXHIBIT III: PERFORMANCE ATTRIBUTION

	Average weight (%)	Contribution (basis points)		
	Portfolio	Rates	Sector	Selection
Total portfolio	**100.0%**	**60**	**30**	**27**
Reserves	19.9%		0	0
Municipal	0.4%		0	0
CMBS	4.6%		3	2
ABS	20.0%		10	6
IG corporate bonds	44.8%		12	8
Corporate loans	8.5%		4	9
HY corporate bonds	1.8%		1	1

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

Security selection was additive to relative performance during the quarter, and there were contributions across the sectors in which the portfolio was invested. Holdings of loans to healthcare, media entertainment, and wireline telecommunication companies impacted performance favorably. Investment-grade corporate bonds issued by life insurers, banks, and specialty finance companies also enhanced performance. Positions in loans to specialty finance companies and asset managers, as well as high-yield bonds issued by technology companies, detracted from selection results.

Transaction summary

We continued to find durable credits[2] offering attractive value despite weak attractiveness of valuations of credits in indexes. 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
PNC Financial Services Group Inc	4.78	1/15/2027	4.8	A+	51	Treasuries	1.1	Corporate bond	Banking
Mercedes-Benz Group AG	4.84	11/13/2026	4.8	A	50	Treasuries	1.9	Corporate bond	Automotive
Ford Credit Floorplan Master Owner Trust	4.36	9/15/2029	4.4	AAA	74	Treasuries	2.7	ABS	Auto Floorplan ABS
NextGear Floorplan Master Owner Trust	4.47	9/17/2029	4.5	AAA	85	Treasuries	2.5	ABS	Auto Floorplan ABS
Republic Finance Issuance Trust	5.50	11/20/2037	5.5	AA	135	Treasuries	3.1	ABS	Personal Consumer Loan ABS
BX 2024-GPA2	6.41	11/15/2029	6.4	AAA	160	SOFR	0.1	CMBS	Floating SASB
Hyundai Motor Co	4.89	11/1/2027	4.9	A-	80	Treasuries	2.8	Corporate Bond	Automotive
Volkswagen AG	5.22	8/15/2027	5.2	A-	99	Treasuries	2.5	Corporate bond	Automotive
Arbor Realty Trust Inc	9.41	9/1/2026	9.4	A	507	Treasuries	1.6	Corporate bond	Other REITs
ORL 2024-GLKS	6.18	12/15/2039	6.2	AAA	155	SOFR	0.1	CMBS	Floating SASB

As of December 31, 2024. Portfolio holdings and characteristics are subject to change.
MBS = Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities
Source: BBH

[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. Durable means the ability to withstand a wide variety of economic conditions.

Characteristics

At the end of the quarter, the Fund's duration was 0.9 years. The Fund's weight to reserves increased to 27% from 15% while its weights to credit sectors decreased. The weight to high-yield and non-rated investments declined to 5% from 6%, were comprised primarily of credits rated "BB," and consisted of a blend of corporate bonds and loans. The Fund's yield to maturity was 5.4% and remained elevated vs. short-term bond market alternatives. The Fund's option-adjusted spread was 98 basis points (bps)[3] over Treasuries; for reference, the longer-duration Bloomberg U.S. Corporate Index's was 80 bps over Treasuries at quarter end.

EXHIBIT V: CHARACTERISTICS

Portfolio characteristics

	Portfolio	Benchmark	Active
Effective duration (years)	0.85	1.74	-0.89
Spread duration (years)	1.31	0.00	1.31
Yield to maturity (%)	5.35	4.25	1.11
Option-adjusted spread (bps)	98	0	98

Credit rating (%)

	Portfolio	Benchmark
AAA/TSY/cash	43.5	100.0
AA	10.9	0.0
A	21.3	0.0
BBB	19.5	0.0
BB	2.9	0.0
B	1.4	0.0
CCC & below/NR	0.5	0.0

Portfolio holdings and characteristics are subject to change.
Benchmark is the Bloomberg US 1-3 Treasury Bond Index
Data reported as of December 31, 2024
Basis point or "bp" is 1/100th of a percent (0.01% or 0.0001)

Sector allocation (%)

	Portfolio	Benchmark	Active
Reserves	27.2	100.0	-72.8
Municipal	0.3	0.0	0.3
MBS (agency)	0.0	0.0	0.0
RMBS (non-agency)	0.0	0.0	0.0
CMBS	4.0	0.0	4.0
ABS	17.1	0.0	17.1
IG corporate bonds	42.5	0.0	42.5
Corporate loans	7.2	0.0	7.2
HY corporate bonds	1.6	0.0	1.6

TSY = Treasury; MBS = Mortgage-Backed Securities; RMBS = Residential Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield

Source: BBH

Concluding remarks

Credit investors face a choice today: keep buying expensive credit and hope that historical credit risks and pricing don't return in the near term, or stick with valuation discipline, a longer-term view, and realism on the inevitability of a rise in credit spreads. We believe the valuation and credit disciplines embedded in our bottom-up process will help us balance caution and opportunity in this environment.

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

[3] Basis point (bp) 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.

LSEG Lipper Fund Awards
2024 Winner
United States

The **BBH Limited Duration Fund (BBBIX)** was named the Best Short Investment Grade Debt Funds over five years, for the period ending December 31, 2023. The fund was assessed against 90 funds in this category.

The LSEG Lipper Fund Awards annually recognize funds and fund management firms for their consistently strong risk-adjusted three-, five- and 10-year performance relative to their peers based upon Lipper's quantitative, proprietary methodology. Other share classes may have different performance characteristics. Past performance is no guarantee of future results.

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. 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.

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.

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. The inception date of the BBH Broad Market Fixed Income Portfolio was July 20, 2000.

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. The inception date of the BBH Broad Market Fixed Income Portfolio was July 20, 2000.

DEFINITIONS

The Bloomberg 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 1-3 years.

Bloomberg 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 US Aggregate ABS Index represents the ABS components of the Bloomberg U.S. Aggregate Index.

The Bloomberg US Aggregate Bond Index is a market-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 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 stripsAn index is not available for direct investment.

The composition of the index is materially different than the Fund's holdings. The Fund is actively managed and does not measure its performance success nor alter its construction in relation to any particular benchmark or index. An index is not available for direct investment.

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

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.

NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

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