BROWN BROTHERS HARRIMAN

CAPITAL PARTNERS

BBH Intermediate Municipal Bond Fund

Quarterly Update | 4Q 2024

Highlights

- We produced one of our best years of performance in 2024. Elevated market volatility and the resulting healthy flow of opportunities provided a strong helping hand. Our yield advantage, driven by housing, prepaid energy, airports, and bonds with non-standard coupon structures, was the main driver of performance.
- The combination of Fed rate cuts and higher long-term yields brought back an upward sloping yield curve for the first time in over two years, which should help bolster future returns.
- Moving forward, cash will have a difficult time competing with traditional fixed income. We continue to recommend shifting to a more normal fixed income allocation both in terms of size and duration.

Turn the Page

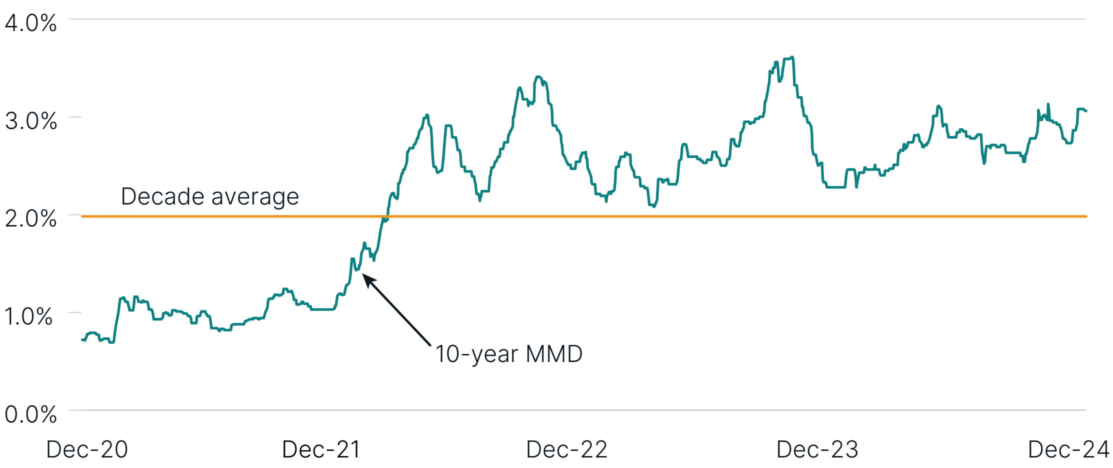
When the story of 2024 is written, we expect a riveting page turner. The long-awaited pivot to Federal Reserve (Fed) easing, the return of an upward sloping yield curve, and record municipal new issuance all served as highlights. Credit spreads also ended the year near their historical lows, driving strong performance of lower-rated bonds.

Closer to home, we produced one of our best years of performance. We are especially proud of this result given the rally in low-rated bonds, of which we own few. Elevated market volatility and the resulting healthy flow of opportunities provided a strong helping hand. Times like this help validate active management: the more disorderly the market, the more value we can usually find.

In 2022, the Fed was forced to make a stand against inflation, tightening policy aggressively through 2023. Satisfied with inflation progress toward its long-term target, the Fed shifted its focus this summer to the other objective of its dual mandate — maximum employment. In September, the Fed turned the page and began an easing cycle. As we close the book on 2024, the Fed has cut rates 100 basis points (bps).[1] Ironically, longer term rates have risen sharply with 10-year Municipal Market Data (MMD) maturity yields up 90 bps over the year. Yet another great reminder of the unpredictability of interest rates!

[1] 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.

TEN-YEAR MUNICIPAL YIELD REMAINS ELEVATED



Data as of December 31, 2024

Source: Refinitiv MMD

Ongoing economic strength, inflationary risks associated with large fiscal deficits, and protectionist policies have reduced expectations about future policy rate cuts. The Fed itself also appears less confident about its path ahead, especially as its progress at bringing inflation back to target has stalled.

In bond markets, yesterday's pain often leads to tomorrow's gain. Although the recent selloff in bonds may have muted 2024 returns, municipal yields are ending the year at their highs. Remember, our funds carry a substantial yield advantage over generic AAA-rated bonds, with yields close to 4%, or about 6% on a pre-tax equivalent basis for those in the top-bracket. The combination of Fed rate cuts and higher long-term yields has also brought back an upward sloping yield curve for the first time in over two years. This should also help bolster future returns. Combined, these tailwinds should help you shake off the cold of these winter months!

It is a great time to review your asset allocation. Despite leading the pack for much of the last three years, cash will have a difficult time competing with traditional fixed income moving forward. We continue to recommend shifting to a more normal fixed income allocation both in terms of size and duration. From where we stand now, the downside of an intermediate fund is limited.

We consider yields increasing 100 bps as a practical bear market scenario. Were that to happen, fund yields would be able to offset most of the downward price pressure over a 12-month period. We view this scenario as unlikely given that the 10-year municipal yield peaked 50 bps higher than today's levels in the fall of 2023, when the Fed was still *tightening*.

There is no shortage of indicators that define the rampant volatility experienced in recent years. In 2024, an outrageous statistic is that the average weekly change in Municipal Variable Rate Demand Notes (VRDN) rates was north of 50 bps! Volatility of longer maturity instruments picked up markedly during the fourth quarter. Yields climbed 40 to 60 bps across maturities as investors anxiously awaited the election outcome. As the market absorbed the details of the new administration and election angst subsided, yields declined 20 to 40 bps by the end of November. That rally proved short lived. Yields increased 30 to 40 bps to close out the year as investors reacted poorly to the Fed's waning enthusiasm for future rate cuts.

The selloff pushed the Bloomberg 1-15 Year Blend (1-17) Muni Index returns into negative territory for the quarter and under 1% for the year. Our funds fared better with a -0.9% return for the quarter and a 2.5% return for the year. This brings our year-to-date outperformance to over 150 bps. Our yield advantage, driven by housing, prepaid energy, airports, and bonds with non-standard coupon structures, was the main driver of performance. Abstaining from lower-rated credit was like driving on a long and lonesome highway this year and we are proud of our results given our preference for high-quality securities.

Strong fundamentals in combination with attractive yields drove consistent demand for municipal mutual funds and ETFs. Credit also remained strong, which helped solidify retail demand. Even margins in the healthcare sector, one of the areas hardest hit by the pandemic, are improving. Since the July 4th holiday, Funds have attracted net inflows for 23 consecutive weeks. We much prefer investing during periods of pessimism with high levels of redemption activity like we had in 2022 and 2023. This year's consistent inflows reduced secondary market opportunities and we are grateful 2024's heavy new issuance helped fill that gap.

Municipal supply exceeded $500 billion, an increase of more than 40% relative to 2023 and a new record. Excluding taxable municipals, 2024's $460 billion of issuance easily beat the prior record of $400 billion set in 2016. The new issue calendar provided plenty of opportunities throughout the year, particularly in sectors important to our fund: Housing PAC and airport issuance increased 23% and 35%, respectively. In recent years, these have served as a major source of our yield advantage over the index. We are pleased that early projections for 2025 indicate another strong year of strong issuance.

We entered the fourth quarter with our funds on solid footing, and selectively added several attractive opportunities. During periods of heavy issuance, smaller deals can slip through the cracks. Such was the case with a $35 million delayed-delivery deal issued by AAA-rated Norfolk Water Enterprise. We purchased two-thirds of the deal at a significant discount to its fair value. We take pride in finding value in niche sectors and overlooked securities. Taking meaningful positions in high-quality securities that provide attractive yield or return potential defines our fund.

During the quarter, we also expanded our footprint in the multifamily housing sector. Multifamily programs help finance affordable rental units for low- to moderate-income families. Unlike our single-family housing bonds, which are backed by a pool of federally backed collateral, our multifamily bonds enjoy a direct guaranty from either Fannie Mae or Freddie Mac. The bonds have a relatively narrow buyer base and consequently offer much higher yields than their AAA ratings would suggest.

Finally, we had another active quarter in the prepaid energy sector. Money center banks usually serve as guarantors on these transactions, but insurance companies have also stepped in. Specifically, we purchased prepaid energy bonds backed by Pacific Life and New York Life, both at wider spreads than their prevailing taxable corporate debt.

As we look ahead, investors are analyzing the new administration's potential impact on the Municipal market. While numerous policy ideas have been floated, with all the same old cliches, tax reform will be top of mind. The top four items we are watching are outlined in the nearby table:

Corporate tax rate	State and local tax deduction (SALT provisions	Alternative minimum tax (AMT) provisions	Top marginal federal income tax rate
– If cut to 15% to 21%, will reduce insurance and bank demand	– If the SALT cap is raised or eliminated, specialty state premiums should decline	– If the Tax Cuts and Jobs Act (TCJA) provisions are extended, the number of individuals subject to AMT will remain low – This should lead to a gradual reduction in AMT spreads	– If TCJA provisions are extended, we see little direct impac – Policy considerations on how to pay for the tax cuts could provoke volatility

Today’s higher yields provide clients with attractive opportunities to extend duration and defend their fund income. Cash reserves will likely struggle to keep pace. We believe our funds are well-positioned in high-quality, durable credits that can provide attractive yields. The market volatility of the last three years has proven unprecedented, and we are proud to have capitalized on it. We will approach the future with the same methods that have proven successful through market cycles. Our team is excited about turning the calendars to 2025 and look forward to next year’s treasure hunt!

Best wishes for a healthy, happy, and prosperous 2025 and thank you for your ongoing trust and confidence.

Gregory S. Steier
Fund Manager

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**
Class I	-0.92%	2.40%	2.40%	0.69%	1.47%	2.57%	2.82%
Class N	-0.88%	2.19%	2.19%	0.52%	1.29%	2.40%	2.66%
Bloomberg 1-15 Year Blend (1-17) Muni Index	-1.06%	0.88%	0.88%	-0.04%	1.08%	2.04%	2.27%

Class I inception: 4/1/2014 Class I net/gross expense ratio (%): 0.46 / 0.46

Class N inception: 4/1/2014 Class N net/gross expense ratio (%): 0.65 / 0.72

Returns of less than one year 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, 2025. The Expense Limitation Agreement may only be terminated during its term with approval of the Fund’s Board of Trustees (the “Board”).

Performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance data quoted. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their 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%.

Source: BBH & Co. and Bloomberg

SHARE CLASS OVERVIEW (AS OF DECEMBER 31, 2024)

	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	4/1/2014	$1,253.10	10.23	3.55	3.55
Class N	★★★	BBINX	05528C816	4/1/2024	$48.30	10.25	3.33	3.28

* The Overall Morningstar Rating is based on risk adjusted return out 255 Funds in the Muni National Interm category as of 12/31/2024.

** 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.

Fund facts As of December 31, 2024	
Number of holdings	361
Number of obligors held	141
Effective duration	4.70
Yield to maturity	4.10
Yield to worst	4.00

Credit quality As of December 31, 2024	
Cash and cash equivalents	4.6%
AAA	21.8%
AA	49.4%
A	23.2%
BBB	0.9%
BB	0.0%
B or lower	0.0%
Not rated	0.1%
Total	**100.0%**

Sector distribution As of December 31, 2024	
Revenue	79.0%
General obligations	16.2%
Pre-refunded	0.2%
Cash and cash equivalents	4.6%
Total	**100.0%**

Reported as a percentage of total portfolio.

Top 10 companies As of December 31, 2024	
Oregon School Bond Guarantee Program	3.5%
Freddie Mac Tax Exempt Bond Securitization	2.8%
Port Authority of New York & New Jersey	2.6%
Minnesota Housing Finance Agency	2.5%
North Carolina Housing Finance Authority - Home Ownership Revenue Bonds	2.4%
Miami International Airport - Miami-Dade County Airport Enterprise, FL	2.0%
Illinois Housing Development Authority	1.9%
Texas Municipal Gas Corporation II	1.8%
Salt Verde Financial Corporation	1.7%
King County Sewer Enterprise, WA	1.7%
Total	**23.0%**

Reported as a percentage of portfolio securities, excluding cash and cash equivalents.

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.

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.

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.

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.

The Bloomberg 1-15 Year Blend (1-17) Muni Index is a component of the Bloomberg Municipal Bond index, including bonds with maturity dates between one and 17 years. The Bloomberg 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.

"Bloomberg®" and the Bloomberg 1-15 Year Blend (1-17) Muni Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Brown Brothers Harriman & Co (BBH). Bloomberg is not affiliated with BBH, and Bloomberg does not approve, endorse, review, or recommend the BBH Intermediate Municipal Bond Fund. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the fund.

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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