BBH Income Fund

Quarterly Fund Update / 1Q 2024

1Q Highlights

- The Fund outperformed the Index during the quarter as sector and rating emphases contributed to relative results. Security selection had a muted impact on results, but results were mixed within sectors and subsectors.
- Index credits have weak valuations, but an abundance of 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 March 31, 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	0.49%	0.49%	5.67%	-0.63%	2.54%	N/A	3.02%
Bloomberg US Aggregate Index	-0.78%	-0.78%	1.70%	-2.46%	0.36%	N/A	1.10%

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 be volatile as strong economic data and stubbornly high inflation data drove market sentiment back towards a "higher for longer in 2024" disposition, although the yield curve still had three 25 basis point.[1] Federal Reserve (Fed) interest rate cuts priced in by the end of this year. Shorter-duration fixed income indexes generated positive returns during the first quarter while longer-duration indexes experienced negative total returns. Excess returns to credit were positive across sectors, with agency mortgage-backed securities (MBS) being the notable exception that underperformed comparable duration Treasuries as the Fed continued shrinking its balance sheet

Economic data has remained strong as inflationary pressures persist and there are few signs of recession on the horizon. Headline consumer inflation prints have been stronger than anticipated, and wage growth remains higher than historic averages. The Chicago Fed National Activity Index remains above its recession indicator threshold. Default rates of below investment-grade companies also remain subdued despite higher interest rates. The U.S. consumer appears to be on solid footing, with loan delinquency rates generally rising off very low bases and not indicating widespread issues. Although auto loan delinquency rates have risen to their highest levels since 2009, and defaults for subprime auto loans have increased above their pre-COVID-19 levels, these data points are within expected ranges for losses in asset-backed securities (ABS) and do not currently pose risk of impairment to bondholders. Delinquency

Exhibit I: Fixed Income Indexes Returns

Index	Duration (Years)	Total Return (%) QTD	Total Return (%) 1 Year	Excess Return (%) QTD	Excess Return (%) 1 Year
Morningstar LSTA Leveraged Loan Index[1]	0.3	2.46	12.47	1.15	7.13
Palmer Square CLO Debt Index[1]	0.3	4.27	18.87	2.97	13.52
Bloomberg 2 Year U.S. Treasury Bellwether Index	1.8	0.24	2.40	–	–
Bloomberg ABS ex Stranded Cost Utilities Index	1.8	0.74	4.48	0.38	0.38
Bloomberg U.S. Corporate High Yield Index	3.2	1.47	11.15	1.59	1.59
Bloomberg Non-Agency CMBS Index	3.8	2.22	6.39	2.65	2.65
ICE BofA AA-BBB US Misc. ABS Index	3.9	2.16	7.36	2.50	5.89
Bloomberg Intermediate Corporate Index	4.0	0.26	4.94	0.70	0.70
Bloomberg U.S. TIPS Index	4.6	-0.08	0.45	–	–
Bloomberg U.S. Treasury Index	6.0	-0.96	0.05	–	–
Bloomberg EM USD Aggregate Index	6.1	1.53	8.43	2.53	2.53
Bloomberg MBS Index	6.1	-1.04	1.39	-0.14	–
Bloomberg Aggregate Index	6.2	-0.78	**1.70**	**0.23**	**0.23**
Bloomberg U.S. Corporate Index	7.0	-0.40	4.43	0.89	0.89
Bloomberg 10 Year U.S. Treasury Bellwether Index	8.0	-1.67	-2.20	–	–
Bloomberg Taxable Municipal Index	9.3	-0.44	2.83	1.53	1.53
Bloomberg Long Corporate Index	12.9	-1.69	3.43	1.25	1.25

Sources: Bloomberg, Morningstar LSTA, Palmer Square, ICE, Bank of America, and BBH
Data reported as of March 31, 2024
Unless otherwise noted Excess Returns is 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-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.

rates on business loans held at U.S. commercial banks remain near cyclical lows. Commercial real estate loan delinquency rates at U.S. banks continue to creep higher, which parallels the rising delinquency rates being experienced in commercial mortgage-backed securities (CMBS) related to office properties.

Valuations

Credit spreads narrowed across sectors and qualities despite the deluge of issuance during the quarter. This highlights both the intense demand for credit and the increasing complacency of investors evaluating new issues. The average option-adjusted spread (OAS) of the Bloomberg U.S. Corporate Index was 90 basis points at the end of the period, which was the lowest level since December 2021. When the Index's spread is less than 100 basis points, the Index tends to underperform Treasury alternatives moving forward.

As a result of the tighter credit spread environment, we are finding fewer opportunities in traditional segments of the credit markets. According to our valuation framework,[2] the percentage of investment-grade corporate bonds that screened as a "Buy" decreased to 13% versus 23% at the start of the quarter and 47% at the end of the first quarter last year, with the prospects for longer-duration bonds looking particularly unattractive. The percentage of high-yield corporate bonds that screened as a "Buy" in our Valuation Framework declined to 16% from 24% at the start of the quarter and 47% at the end of the first quarter last year, with "Buy" candidates having become sparse in the double-B benchmark. No cohort of 30-year or 15-year

Exhibit II: Outlook by Sector

Sector	Outlook	Positioning
Reserves		
U.S. Treasuries/Futures/Reserves	Hold when attractive credits unavailable	Weight increasing as credit valuation deteriorating; 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	Spreads narrowing from elevated levels and issuance resuming for non-office collateral	Hold positions in SASB CMBS deals where we have transparency into collateral dynamics as well as an increasing amount of selection opportunities we identified
ABS	Credit spreads narrowed yet spreads in certain sectors remain disconnected from their underlying credit risk	Hold positions in 20 nontraditional segments that offer attractive yields and demonstrable durability
Corporate Credit		
IG Corporate Bonds	Index credit spreads continued to narrow and attractively valued opportunities in benchmarks dwindled	Sector weight decreased yet opportunities remain in some interest rate sensitive sectors and among certain security selection opportunities. Holdings include credits issued by banks, P&C insurers, and life insurers
Senior Bank Loans	High base rates plus attractive valuations merit attention as default rates remain in-check	Holdings are diversified and include credits issued by healthcare, airlines, and pharmaceutical companies
HY Corporate Bonds	Index spreads narrowing with low default rates and a surge of issuance, limiting the number of attractively-valued opportunities in benchmark	Sector weight decreased yet opportunities remain in select subsectors and in some security selection opportunities we identified that meet our valuation and credit criteria
Other Credit		
Emerging Markets	Concerns remain about creditor rights in most emerging market countries	No positions in portfolios

As of March 31, 2024. Portfolio holdings and characteristics are subject to change.

MBS = Mortgage-Backed Securities; RMBS = Residential Mortgage-Backed Securities; CMBS = Commerical 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.

agency MBS met our Valuation Framework criteria for new purchases at quarter-end.

However, there does remain opportunities in select subsectors of the market. Senior bank loans continue to screen attractively, with 87% of the universe screening as a "Buy" candidate. We continue to find opportunities in investment-grade bonds issued by life insurers and banks. Several "BB" and "B" rated bonds issued by specialty financial companies, banks, and real estate investment trusts (REITs) screen attractively in the high yield bond universe. In the structured credit markets, opportunities remain despite the recent narrowing of credit spreads, with spreads in some select sectors remaining disconnected from their underlying credit risk. Opportunities are also arising in the CMBS market as investors differentiate between office properties and other property types with solid credit dynamics. 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**	**31**	**103**	**0**
Reserves	16.4	43.0	-26.6		0	0
Government-Related	0.0	3.9	-3.9		-2	0
Municipal	0.4	4.9	0.4		1	-1
U.S. MBS	0.0	26.2	-26.2		4	0
CMBS	5.9	1.6	4.3		23	-15
ABS	20.2	0.5	19.7		29	0
IG Corporate Bonds	38.5	24.8	13.7		16	25
Senior Bank Loans	12.1	0.0	12.1		19	-5
HY Corporate Bonds	6.5	0.0	6.5		12	-3

Past performance is no guarantee future results

Contribution figures are presented gross of fees

Data reported quarterly from December 31, 2024 to March 31, 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, including ABS, CMBS, senior bank loans, investment-grade corporate bonds, and high yield corporate bonds. The Fund's continued avoidance of agency MBS also had a small-but-positive contribution to relative returns.

Security selection had a muted impact on results, but results were mixed within sectors and subsectors. There were strong selection results within holdings of investment-grade corporate bonds, particularly among bonds issued by property and casualty (P&C) insurers, life insurers, banks, specialty finance companies, and healthcare companies. Positions in aircraft equipment ABS were another notable contributor during the quarter. Selection results of CMBS, senior bank loans, and high yield corporate bonds were negative. Holdings of agency CMBS and Single-Asset, Single-Borrower (SASB) CMBS hindered results despite the portfolio's lack of exposure to office properties. Positions in high yield corporate bonds issued by technology companies and collateralized loan obligation's (CLOs) also hindered results.

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 dwindling attractiveness of valuations of credits in Indexes. The purchases were made across a variety of sectors and industries. Descriptions of a few notable portfolio additions are included below

Longtime holding **SiriusPoint Ltd** is a reinsurance company with a strong and stable European business and a strong capital structure that includes subordinated bonds, safety reserves, and a large equity cushion. We purchased their new issue, 5-year, BBB- rated bonds at a spread of 288 basis points over Treasuries for a yield of 7.1%. Owl Rock's **Blue Rock Technology Finance Corp II** is a business development company (BDC) that came to market during the quarter, and the we found it appealing due to the company's pristine lending history, strong management, and conservative leverage profile. We purchased their new issue, 5-year, BBB rated bonds at a spread of 283 basis points over Treasuries for a yield of 7.0%. Another BDC, venture debt lender **Trinity Capital**, issued during the quarter, and the company boasts strong management, exceptional credit performance history, and the conservative leverage profile common among BDCs. We purchased their 5-year, BBB- rated preferreds at a spread of 365 basis points over Treasuries for a yield of 7.9%. KKR's wholly-owned life insurance subsidiary **Global Atlantic** brought a new issuance during the quarter. Global Atlantic's strengths include a strong balance sheet, prudent asset-liability matching, and demonstrated capital support from KKR. We purchased the 5-year, A rated bonds at a spread of 175 basis points over Treasuries for a yield of 5.6%. And Apollo's wholly-owned life insurance subsidiary **Athene** issued during the quarter as well, with its credit strengths including its very low leverage, its high risk-based capital ratio, and its exceptional liquidity condition. We purchased the new-issue, 5-year, A+ rated bonds at a spread of 160 basis points over Treasuries for a yield of 5.6%.

[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.

DRSLF 2024-115A is a CLO issued by Dryden Senior Loan Fund and managed by PGIM, Inc., the investment manager wholly owned by Prudential Financial. PGIM is a best-in-class CLO manager with consistent long-term performance and strong alignment of interest. We purchased the new-issue, 8.9 year weighted average life, AA rated bonds at a spread of 200 basis points over Secured Overnight Financing Rate (SOFR)[4] for a yield of 7.3%.

In the high yield market, leading global mobile satellite services provider **Inmarsat** came to market during the quarter with a term loan. The company possesses significant asset value in its unique network for its satellite constellation and large installed base on ships and airplanes, and its equipment is critical infrastructure installed in most oceanic ships and commercial airline cockpits. We purchased the BB+ rated senior bank loans at a spread of 350 basis points over SOFR for a yield of 8.8%. We also participated in the refinancing of **United Airline's** senior bank loan secured by the company's landing and take-off slots, routes, and gates. The BB+ term loan was purchased at a spread of 284 basis points over SOFR for a yield of 8.2%. We added to our position in senior bank loans of **MultiPlan**, the largest network provider of out-of-network claim services with a long operating history, a track record of consistent cash flow generation and deleveraging, and a sticky and hard-to-replicate service offering. We purchased the B+ rated term loans at a spread of 524 basis points over SOFR for a yield of 10.6%. We also added to our position in bonds issued by **Bread Financial Holdings**, a publicly traded provider of loyalty and affinity credit card solutions with significant cash flow for debt servicing and demonstrated resiliency during COVID-19. We purchased the BB- rated bonds at a spread of 524 basis points over Treasuries for a yield of 9.5%.

Characteristics

At the end of the quarter, the Fund's duration was 6.2 years and continued to approximate that of its benchmark. Holdings of reserves continued to increase amid weakening credit valuations, with weights to credit sectors declining slightly during the quarter. The Fund's allocation to high yield instruments decreased slightly to 16%. The Fund's yield to maturity was 6.6% and remained elevated versus bond market alternatives. The Fund's option-adjusted spread was 203 basis points; for reference, the Bloomberg U.S. Corporate Index's option-adjusted spread was 90 basis points at quarter-end.

Exhibit IV: Fund Characteristics

Portfolio Characteristics

	Portfolio	Benchmark	Active
Effective Duration (Years)	6.16	6.20	99%
Spread Duration (Years)	2.95	3.56	83%
Yield to Maturity (%)	6.55	4.85	1.70
Option-Adjusted Spread (bps)	203	39	164

Credit Rating (%)

	Portfolio	Benchmark
AAA/TSY/Cash	24.0	71.8
AA	11.3	3.9
A	23.3	11.9
BBB	25.0	12.5
BB	10.9	0.0
B	4.1	0.0
CCC & Below/NR	1.5	0.0

Sector Allocation (%)

	Portfolio	Benchmark	Active
Reserves	17.0	43.1	-26.2
Government-Related	0.0	3.9	-3.9
Municipal	0.1	0.0	0.1
MBS (Agency)	0.0	25.9	-25.9
RMBS (Non-Agency)	0.0	0.0	0.0
CMBS	6.3	1.6	4.7
ABS	20.1	0.5	19.6
IG Corporate Bonds	39.1	24.9	14.1
Senior Bank Loans	11.3	0.0	11.3
HY Corproate Bonds	6.2	0.0	6.2

Portfolio holdings and characteristics are subject to change.

Benchmark is the Bloomberg US Aggregate Bond Index

Data reported as of March 31, 2024

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

Source: BBH

[4] SOFR = Secured Overnight Financing Rate, which is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities

Concluding Remarks

We believe credit and valuation discipline remain essential as others may be tempted to reach for yield with still-elevated interest rates. With robust issuance, eager investor demand, and narrow credit spreads, it is imperative that each opportunity be carefully vetted for durability and meet our required valuation criteria prior to investment. The most worrisome risks are often those that are unanticipated. Therefore, we continue to evaluate each credit's durability, structure, management, and transparency while stress-testing the credit to the worst environment its industry faced before investing. We believe preparation and discipline will be necessary for navigating the months and quarters ahead.

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.

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

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.

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