

# BBH Intermediate Municipal

Strategy Fact Sheet / 3Q 2016

## PRINCIPAL STRATEGY AND OBJECTIVES

The BBH Intermediate Municipal Strategy seeks to protect investors' capital and generate attractive risk-adjusted returns by combining thorough, independent credit research and a unique valuation discipline to identify undervalued municipal securities. The Strategy invests in a long-term, tax-aware manner and applies a bottom-up, fundamental investment approach.

## INVESTMENT CRITERIA

When constructing our municipal bond portfolios, we apply a disciplined investment selection process that focuses on the following seven issuer attributes:

- Provides essential services
- Strong competitive position
- Financial strength
- Robust operating model with pricing flexibility
- Backed by a proven revenue stream
- Strong coverage and covenant protection
- On-time financial filings

We also take into consideration management attributes, when applicable:

- Political willingness to exercise rate autonomy
- Positive operating performance
- Sound capital expenditure plans
- Responsible use of derivatives

The portfolio management team generally expects to target between 75-125 obligors in major sub-sectors of the U.S. municipal bond market including state and local general obligation bonds, revenue bonds, and pre-refunded securities. The targeted holding period for individual securities is typically four to five years.

## PORTFOLIO MANAGER



### Gregory S. Steier

Mr. Steier joined BBH in 1992 and became a Managing Director of the firm in 2006. Mr. Steier currently serves as Head of Tax-Exempt Fixed Income at BBH. In addition to his fixed income responsibilities, Mr. Steier serves on BBH's Asset-Liability Committee. Mr. Steier holds a BS in Accounting and an MBA in Finance from New York University's Stern School of Business.

## PRINCIPLES OF TAX-EXEMPT FIXED INCOME INVESTING

- **Investment Objective:** The Fund seeks to provide maximum total return, consistent with preservation of capital and prudent investment management.
- **Emphasis on capital preservation:** The Fund will seek to maintain a high quality bias through the purchase of securities where our own independent analysis suggests a very low probability of any interruption in the timely payment of interest or principal.
- **Diversification:** The portfolio management team generally expects to target between 75-125 obligors in major sub-sectors.
- **Taxes:** Tax considerations are an important part of the investment process. The Fund invests in a tax-aware manner with an expected annual turnover of less than 25%.
- **Long-term perspective:** Many investment strategies are built around short-term expectations, momentum, and frequent trading. We believe that a long-term view of municipal credit analysis leads to stronger results and risk control over market cycles.

**Performance**  
As of September 30, 2016

**Total Returns** **Average Annual Total Returns**

Composite/Benchmark	Total Returns		Average Annual Total Returns				Since Inception
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	10 Yr.	
<b>BBH Intermediate Municipal Composite (Gross of Fees)</b>	0.32%	3.48%	4.71%	4.07%	3.49%	4.44%	4.34%
<b>BBH Intermediate Municipal Composite (Net of Fees)</b>	0.24%	3.21%	4.34%	3.71%	3.13%	4.07%	3.98%
<b>Barclays Capital 1-10 Yr. Municipal Bond Index</b>	-0.11%	2.58%	3.40%	3.34%	2.95%	4.04%	4.02%

\* Returns are not annualized.

Sources: BBH & Co. and Barclays Capital

*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.*

**Representative Account**  
**Credit Quality**  
As of September 30, 2016

	Representative Account	Barclays Capital 1-10 Yr. Municipal Bond Index
Cash and Cash Equivalents	3.5%	0.0%
AAA	17.8%	17.2%
AA	48.0%	56.3%
A	27.9%	22.9%
BBB	2.8%	3.6%
BB or Lower	0.0%	0.0%
Not Rated	0.1%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Representative Account**  
**Duration Distribution**  
As of September 30, 2016

	Representative Account	Barclays Capital 1-10 Yr. Municipal Bond Index
0 - 2 Yrs.	28.8%	22.2%
2 - 4 Yrs.	24.4%	29.5%
4 - 6 Yrs.	30.3%	27.1%
6 - 8 Yrs.	13.0%	17.2%
8 - 12 Yrs.	3.5%	4.0%
12 - 17 Yrs.	0.0%	0.0%
17+ Yrs.	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Representative Account**  
**Portfolio Characteristics**  
As of September 30, 2016

	Representative Account	Barclays Capital 1-10 Yr. Municipal Bond Index
Effective Duration (years)	3.65	3.94
Yield to Worst	1.76%	1.37%

**Representative Account**  
**Sector Distribution**  
As of September 30, 2016

	Representative Account	Barclays Capital 1-10 Yr. Municipal Bond Index
Cash and Cash Equivalents	3.5%	0.0%
General Obligations	21.5%	31.8%
Pre-Refunded	1.1%	14.8%
Taxable	0.0%	0.0%
Revenues Total:	74.0%	53.4%
Hospital	3.2%	3.8%
Special Tax	3.2%	9.5%
Transportation	12.3%	9.7%
Leasing	4.2%	6.5%
Power	3.1%	5.3%
Water	2.5%	6.5%
Airport	9.1%	3.0%
Other	36.4%	9.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Representative Account**  
**Top 10 Obligators**  
As of September 30, 2016

Michigan Qualified School Bond Loan Fund	3.6%
Niagara Mohawk Power First Mortgage Bonds	3.6%
New Jersey Tobacco	3.5%
State of New Jersey	3.5%
California School District General Obligations	2.5%
New York Electric & Gas Corp	2.5%
City of Houston TX Airport System Revenue	2.4%
Orlando Aviation Authority	2.3%
State of Connecticut	2.1%
Oglethorpe Power Corp	2.0%
<b>Total</b>	<b>28.0%</b>

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.

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.

Holdings are subject to change. Totals may not sum due to rounding.

Effective duration is a measure of the portfolio's return sensitivity to changes in interest rates.

Data presented is that of a single representative account ("Representative Account") that invests in the strategy. It is the account whose investment guidelines allow the greatest flexibility to express active management positions. It is managed with the same investment objectives and employs substantially the same investment philosophy and processes as the proposed investment strategy.

For purpose of complying with the GIPS® standards, the firm is defined as Brown Brothers Harriman Investment Management ("IM"). IM is a division of Brown Brothers Harriman & Co. ("BBH"). IM claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions of IM and/or a presentation that complies with the GIPS standards, contact John W. Ackler at (212) 493-8247, or via email at john.ackler@bbh.com.

Gross of fee performance results for this composite do not reflect the deduction of investment advisory fees. Actual returns will be reduced by such fees. "Net" of fees performance results reflect the deduction of the maximum investment advisory fees. Performance calculated in U.S. dollars.

The Composite is comprised of fully discretionary, fee-paying municipal fixed income accounts over \$5 million that are managed to an average duration of approximately 4.5 years. Accounts are benchmarked to the Barclays index or equivalent. The Barclays Capital 1-10 Year Municipal Bond Index is a rules-based, market-value-weighted index for the long-term tax-exempt bond market.

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