

# BBH Multisector Fixed Income

Strategy Fact Sheet / 2Q 2022

## PRINCIPAL STRATEGY AND OBJECTIVES<sup>1</sup>

Our Multisector Fixed Income Strategy\* is designed to deliver excellent absolute returns through investments in our best ideas in traditional and non-traditional segments of the corporate and structured credit markets\*\*.

We build concentrated taxable bond portfolios bottom-up, allowing valuation and security selection to drive our portfolio construction. Portfolios include durable, well-managed, appropriated structured credits that can be thoroughly researched and understood.

## INVESTMENT CRITERIA

Our independent research serves as the foundation of our bottom-up investment process. We apply a proprietary quantitative framework to assess each security's long-term return potential and seek to own a concentrated portfolio of our top credit ideas. Fund duration is managed consistent with capital preservation. We will hold reserves when available opportunities do not meet our credit<sup>2</sup> and valuation criteria.

Investment opportunities must meet four essential criteria: durability, transparency, excellent management, and appropriate structure:

- **Durability:** Able to withstand a wide variety of economic conditions.
- **Transparency:** Can be thoroughly research and understood.
- **Excellent Management:** Debt-conscious leaders focused on long-term viability and access to capital markets.
- **Appropriate Structure:** Appropriate leverage and available resources.

We evaluate environmental, social and governance (ESG<sup>3</sup>) factors as part of our investment research process to help us effectively assess the long-term sustainability and durability of our companies and credits.

## PORTFOLIO CO-MANAGERS



### Andrew P. Hofer

Andrew Hofer is Head of Taxable Fixed Income for Investment Management. Since joining BBH in 1988, Andrew has held a variety of roles within Investment Management, including the Head of Insurance Asset Management, Chief Operating Officer, and Head of Risk Management. Andrew holds a B.A. degree in East Asian studies from Yale, and an MIA (Master of International Affairs) from Columbia University.



### Neil Hohmann, PhD

Neil Hohmann is Head of Structured Products and a portfolio manager for Investment Management. In his role, he supervises security selection in asset-backed securities, commercial and agency mortgage-backed securities, and financial institution credit. He is an active member of BBH's Market Risk Oversight Committee.

Neil received a Bachelor of Economics with Distinction from Yale University where he graduated magna cum laude. He also earned a PhD in Economics from the University of Chicago.



### Paul Kunz, CFA

As the Head of Corporate Credit and a portfolio manager, Paul Kunz is responsible for the oversight of corporate fixed income portfolios encompassing both investment grade and high yield credit, including managing the research efforts of the credit analyst team. He has been a member of the portfolio management team since joining BBH in 2013. Paul received a B.S. in finance from Villanova University, a J.D. from St. John's University School of Law, an LLM in corporate law from New York University School of Law. He is also a CFA Charterholder.

## PRINCIPLES OF FIXED INCOME INVESTING

- **Active Management:** We believe in a bottom up, value-based approach to active management.
- **Durability:** We only invest in securities we believe are built to withstand a variety of economic conditions.
- **High Conviction:** We work to balance ample diversification while ensuring meaningful concentration in our highest conviction ideas.
- **Long-term Perspective:** We underwrite our investments to perform through market cycles.
- **Discipline and Patience:** We let valuation drive our investment process and will hold reserves when the opportunity set is limited.

<sup>1</sup> There can be no assurance that the Strategy will achieve its investment objectives.

<sup>2</sup> 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.

<sup>3</sup> A less favorable ESG profile may not preclude the Adviser from investing in a credit, as the consideration of ESG factors is not more influential than the consideration of other investment criteria.

\* Previously called the BBH Unconstrained Credit Fixed Income Strategy.

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

**Performance**  
As of June 30, 2022

Composite/Benchmark	Total Returns		Average Annual Total Returns			
	3 Mo.*	YTD*	1 Yr.	3 Yr.	5 Yr.	Since Inception
<b>BBH Multisector Fixed Income Composite (Gross of Fees)</b>	-4.63%	-5.97%	-3.94%	2.81%	4.08%	3.57%
<b>BBH Multisector Fixed Income Composite (Net of Fees)</b>	-4.73%	-6.16%	-4.32%	2.40%	3.67%	3.16%

**Bloomberg US Aggregate Bond Index**

-4.69%	-10.35%	-10.29%	-0.93%	0.88%	1.47%
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Net of fees return reflects the deduction of the maximum investment advisory fee of 40 bps

Sources: BBH & Co. and Bloomberg

\* Returns are not annualized.

Inception date is 5/15/14.

**Past performance does not guarantee future results.**

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. The index is not available for direct investment.

**Representative Account**  
**Credit Quality**  
As of June 30, 2022

Cash and Cash Equivalents	-2.2%
U.S. Treasuries	0.0%
AAA	0.0%
AA	0.8%
A	8.7%
BBB	35.7%
BB	30.8%
B or Lower	17.6%
Not Rated	8.7%
<b>Total</b>	<b>100.0%</b>

**Representative Account**  
**Top 10 Credits**  
As of June 30, 2022

Enstar Group Ltd	2.1%
Eagle Point Credit Company Inc	1.9%
ABPCI Direct Lending Fund ABS	1.8%
System One	1.8%
Ellington Financial	1.8%
Bank of America Corp	1.7%
AHP Health Partners	1.6%
Fidelis	1.6%
MPLX LP	1.5%
MultiPlan Corp	1.5%
<b>Total</b>	<b>17.3%</b>

**Representative Account**  
**Sector Distribution**  
As of June 30, 2022

Corporate Securities	44.0%
Asset-Backed Securities	21.6%
Commercial Mortgage-Backed Securities	4.7%
Municipal Securities	0.8%
Agency Mortgage-Backed Securities	0.0%
Trust Preferred	0.0%
Loans	31.1%
U.S. Treasuries	0.0%
U.S. Inflation-Indexed Securities	0.0%
Residential Mortgage-Backed Securities	0.0%
Cash and Cash Equivalents	-2.2%
<b>Total</b>	<b>100.0%</b>

**Representative Account**  
**Portfolio Characteristics**  
As of June 30, 2022

Number of Holdings	142
Effective Duration (years)	2.14
Yield to Maturity (hedged)	7.68%
Yield to Maturity (unhedged)	7.75%

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. 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.

Basis Point (bp): is 1/100th of a percent (0.01% or 0.0001).

## RISKS

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. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Mortgage-backed securities have prepayment, extension, and interest rate risks.

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 ABS being structured in ways that give certain investors less credit risk protection than others.

Illiquid investments subject the investor to the risk that she may not be able to sell the investments when desired or at favorable prices.

Below investment grade bonds, commonly known as junk bonds, are subject to a high level of credit and market risks.

The Strategy 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 bond investments.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.

The Strategy may engage in certain investment activities that involve the use of leverage, which may magnify losses.

A significant investment of assets in one or more sectors, industries, securities and/or durations may increase its vulnerability to any single economic, political, or regulatory developments, which will have a greater impact on returns.

Illiquid investments subject the investor to the risk that she may not be able to sell the investments when desired or at favorable prices.

Considering ESG factors as part of investment decisions may result in forgoing otherwise attractive opportunities, which may result in lower performance when compared to advisers that do not consider ESG factors.

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Data presented is that of a single representative account ("Representative Account") that invests in the strategy. It is managed with the same investment objectives and employs substantially the same investment philosophy and processes as the investment strategy.

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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 reflects the deduction of the maximum investment advisory fees. Returns include all dividends and interest, other income, realized and unrealized gain, are net of all brokerage commissions, execution costs, and without provision for federal or state income taxes. Results will vary among client accounts. Performance calculated in U.S. dollars.

The Composite is comprised of all fully discretionary, fee-paying multisector fixed income accounts over \$10 million and invested in a broad range of taxable bonds. The accounts have durations that generally range between 2 and 5 years, invest across investment-grade and non-investment-grade ("high yield") securities and instruments, and possess characteristics that demonstrate less awareness to market benchmarks. Accounts are benchmarked to the Bloomberg U.S. Aggregate Index. As of 7/1/2022, the Unconstrained Credit - Fixed Income Composite was renamed BBH Multisector Fixed Income.

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