

BBH Core Fixed Income

Strategy Fact Sheet / 3Q 2020

PRINCIPAL STRATEGY AND OBJECTIVES¹

The Core Fixed Income Strategy is designed to deliver excellent returns through market cycles for investors seeking broad exposure to the U.S. Fixed income markets.

Our active management approach seeks to build taxable bond portfolios bottom-up, allowing valuation and security selection to drive our portfolio construction. Portfolios include durable, well-managed, appropriately structured credits² that can be thoroughly researched and understood.

INVESTMENT CRITERIA

Our independent research serves as the foundation of our bottom-up investment process. We also apply a proprietary quantitative framework to assess each security's long-term return potential. We will hold reserves when available opportunities do not meet our credit 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) factors as part of our investment research process to help us effectively assess the long-term sustainability and durability of our companies and credits.

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.
- **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.

¹ There can be no assurance that the Strategy will achieve its investment objectives.

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.

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.

Performance
As of September 30, 2020

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.	
BBH Core Fixed Income Composite (Gross of Fees)	2.07%	8.79%	8.85%	7.29%	6.67%	5.40%	6.92%
BBH Core Fixed Income Composite (Net of Fees)	2.00%	8.59%	8.58%	7.02%	6.41%	5.14%	6.66%
Bloomberg Barclays US Aggregate Bond Index	0.62%	6.79%	6.98%	5.24%	4.18%	3.64%	6.44%

* Returns are not annualized.

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, 2020

	Representative Account	Bloomberg Barclays US Aggregate Bond Index
Cash and Cash Equivalents	1.0%	0.0%
U.S. Treasuries	10.3%	37.0%
AAA	6.3%	32.9%
AA	6.5%	3.5%
A	21.9%	12.2%
BBB	43.2%	14.4%
BB or Lower	10.0%	0.0%
Not Rated	0.8%	0.0%
Total	100.0%	100.0%

Representative Account
Duration Distribution
As of September 30, 2020

	Representative Account	Bloomberg Barclays US Aggregate Bond Index
0 - 2 Yrs.	28.8%	23.4%
2 - 4 Yrs.	26.8%	29.4%
4 - 6 Yrs.	21.2%	15.3%
6 - 8 Yrs.	11.1%	9.0%
8 - 12 Yrs.	6.3%	5.8%
12 - 17 Yrs.	0.6%	6.6%
17+ Yrs.	5.2%	10.5%
Total	100.0%	100.0%

Representative Account
Portfolio Characteristics
As of September 30, 2020

	Representative Account	Bloomberg Barclays US Aggregate Bond Index
Effective Duration (years)	6.15	6.08
Yield to Maturity	3.92%	1.19%

Representative Account
Sector Distribution
As of September 30, 2020

	Representative Account	Bloomberg Barclays US Aggregate Bond Index
Cash and Cash Equivalents	1.0%	0.0%
U.S. Treasuries	7.6%	37.0%
U.S. Inflation-Indexed Securities	2.8%	0.0%
Government-Related	0.0%	6.2%
Mortgage-Backed Securities	0.0%	27.0%
Corporate Securities	50.2%	27.3%
Commercial Mortgage-Backed Securities	10.4%	2.2%
Residential Mortgage-Backed Securities	0.8%	0.0%
Asset-Backed Securities	24.3%	0.4%
Municipal Securities	3.0%	0.0%
Total	100.0%	100%

Representative Account
Top 10 Credits
As of September 30, 2020

Drawbridge Special Opportunities Fund LP	2.3%
CGCC 2014-FL2	2.1%
AerCap Holdings NV	1.9%
Philadelphia School District	1.8%
MSBAM 2015-C24	1.7%
MEDNAX Inc	1.5%
Owl Rock Capital Corp	1.5%
MSC 2015-MS1	1.4%
Air Lease Corp	1.4%
Oportun Funding LLC	1.4%
Total	17.2%

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.

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 fee and expenses.

RISKS

The value of the portfolio can be affected by changes in interest rates, general market conditions and other political, social and economic developments. Each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

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. The value of some asset-backed securities and mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates and are subject to prepayment and extension risks, as well as risk that the underlying borrower will be unable to meet its obligations.

Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax.

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.

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.

The Bloomberg Barclays U.S. Aggregate Bond Index is comprised of U.S. dollar-denominated investment grade fixed income securities with maturities of at least one year. The index includes corporate, government and mortgage-backed securities. One cannot invest directly in an index.

Credits: 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.

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 Core Fixed Income 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 core fixed income accounts over \$10 million that are managed to a duration of approximately 4.5 years and are invested in a broad range of taxable bonds. Accounts are benchmarked to the Bloomberg Barclays U.S. Aggregate Bond Index or equivalent. Historically to December 31, 2000 the account minimum was \$5 million. The Bloomberg Barclays U.S. Aggregate Bond Index is comprised of U.S. dollar-denominated investment grade fixed income securities with maturities of at least one year. The index includes corporate, government and mortgage-backed securities. One cannot invest directly in an index.

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May Lose Money