

BBH Municipal Fixed Income

Strategy Fact Sheet / 3Q 2020

PRINCIPAL STRATEGY AND OBJECTIVES¹

The BBH Municipal Fixed Income Strategy* seeks to deliver excellent after-tax returns in excess of industry benchmarks through market cycles. We invest bottom-up and seek to own a limited number of durable credits that offer attractive yields.

Our independent research serves as the foundation of our municipal investment process. We also apply a proprietary quantitative framework to help assess each security's valuation and its long-term potential. When opportunities to purchase securities that meet both our credit and valuation criteria are not available, we hold-quality liquid reserves.

INVESTMENT CRITERIA

When constructing our municipal bond portfolios, we apply a disciplined investment selection process that focuses on durable issuers with the following critical attributes:

- Provides essential services or funds critical infrastructure
- Strong competitive position
- Financial strength
- Robust operating model with pricing flexibility
- ESG risks appropriately mitigated
- Backed by a proven revenue stream
- Strong coverage and covenant protection
- On-time financial filings

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.

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

As the Co-head of Fixed Income, Greg Steier is the lead portfolio manager for municipal bonds and has day-to-day oversight responsibility for the TIPS investment team and Quantitative Research. Greg joined BBH in 1992, and throughout his tenure has held a range of portfolio management, trading, and research roles in both the taxable and tax-exempt sectors. Greg is an active member of BBH's Asset Liability Committee, for which he developed a firm-wide interest rate risk framework. Greg is also a member of the Investment Management Oversight and Risk Committees and chairs the Investment Management Valuation Oversight Committee. Greg earned both his MBA in Finance and B.S. in Accounting from the New York University Stern School of Business.

PRINCIPLES OF TAX-EXEMPT 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.

* Previously called the BBH Intermediate Municipal Strategy.

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 Municipal Fixed Income Composite (Gross of Fees)	1.53%	4.15%	5.05%	4.38%	3.94%	3.64%	4.21%
BBH Municipal Fixed Income Composite (Net of Fees)	1.45%	3.89%	4.70%	4.03%	3.59%	3.29%	2.76%
Bloomberg Barclays 1-10 Yr. Municipal Bond Index	1.07%	3.22%	4.10%	3.41%	2.92%	2.96%	3.78%

* 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 1-10 Yr. Municipal Index
Cash and Cash Equivalents	1.0%	0.0%
U.S. Treasuries	0.0%	0.0%
AAA	23.6%	18.0%
AA	38.2%	52.8%
A	33.0%	22.2%
BBB	4.2%	7.0%
BB or Lower	0.0%	0.0%
Not Rated	0.0%	0.0%
Total	100.0%	100.0%

Representative Account
Duration Distribution
As of September 30, 2020

	Representative Account	Bloomberg Barclays 1-10 Yr. Municipal Index
0 - 2 Yrs.	23.5%	21.7%
2 - 4 Yrs.	26.5%	32.2%
4 - 6 Yrs.	25.0%	28.7%
6 - 8 Yrs.	18.5%	14.6%
8 - 12 Yrs.	6.5%	2.8%
12 - 17 Yrs.	0.0%	0.0%
17+ Yrs.	0.0%	0.0%
Total	100.0%	100.0%

Representative Account
Portfolio Characteristics
As of September 30, 2020

	Representative Account	Bloomberg Barclays 1-10 Yr. Municipal Index
Effective Duration (years)	4.05	3.85
Yield to Worst	1.06%	0.77%

Representative Account
Sector Distribution
As of September 30, 2020

	Representative Account	Bloomberg Barclays 1-10 Yr. Municipal Index
Cash and Cash Equivalents	1.0%	0.0%
General Obligations	29.6%	31.9%
Pre-Refunded	0.8%	11.5%
Taxable	0.0%	0.0%
Revenues Total:	68.7%	56.7%
Hospital	1.6%	3.7%
Special Tax	6.1%	7.6%
Transportation	8.4%	11.0%
Leasing	4.5%	6.2%
Power	5.0%	3.6%
Water	1.0%	6.2%
Airport	2.6%	0.0%
Other	30.8%	18.3%
Total	100.0%	100.0%

Representative Account
Top 10 Obligor
As of September 30, 2020

California School District General Obligations	7.7%
Philadelphia School District, PA	3.4%
State of New Jersey	3.2%
Minnesota Housing Finance Agency	3.1%
Texas Department of Housing and Community Affairs	2.7%
New Mexico Mortgage Finance Authority	2.5%
State of Ohio	2.4%
Texas Municipal Gas Acquisition and Supply Corp	2.3%
Texas Municipal Gas Acquisition and Supply Corp II	2.3%
Michigan Qualified School Bond Loan Fund	2.3%
Total	31.8%

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.

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.

RISKS

Investors 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. 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.

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

The strategy 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 strategy's exposure in any one municipal revenue sector backed by revenues from similar types of projects increases, a portfolio will also become more sensitive to adverse economic, business or political developments relevant to these projects.

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

The Bloomberg Barclays 1-10 Year Municipal Blend Index is a market value-weighted index which covers the short and intermediate components of the Barclays Municipal Bond Index --an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market. The index is not available for direct investment.

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

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 Municipal 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 municipal fixed income accounts over \$5 million that are managed to an average duration of approximately 4.5 years. On 10/1/2020 the BBH Intermediate Municipal Composite was renamed the BBH Municipal Fixed Income Composite. Accounts are benchmarked to the Bloomberg Barclays 1-10 Year Municipal Blend index or equivalent.

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May Lose Money

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