

BBH Structured Fixed Income

Strategy Fact Sheet / 3Q 2020

PRINCIPAL STRATEGY AND OBJECTIVES¹

Our Structured Fixed Income Strategy is designed to deliver peer-leading returns through market cycles for investors seeking the attractive risk/return characteristics of the structured securities market.

We build structured fixed income portfolios bottom-up, allowing valuation and security selection to drive our portfolio construction. Portfolios include durable, well-managed appropriately structured credits that can be thoroughly researched, stress-tested and well understood.

INVESTMENT CRITERIA

Our structured fixed strategy invests in asset-backed securities, commercial mortgage-backed securities, agency mortgage-backed securities, secured corporate debt, and select collateralized loan obligations. We apply a disciplined investment selection process to portfolio construction focused on durable issuers with the following critical attributes:

- **Time-Tested Collateral:** Secured by durable lending products.
- **Establishing Lending Track Record:** Originated by profitable, established industry leaders with seasoned management teams.
- **Skin-in-the-Game:** Originator maintains a substantial “first loss” stake in the capital structure of our investments.
- **Ample Credit Enhancement:** Our proprietary stress testing requires structural protections that withstand severe economic conditions.
- **Full Transparency:** We maintain full access to financial reporting and to the senior-most management.

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.

PORTFOLIO CO-MANAGERS STRUCTURED FIXED INCOME



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.



Chris Ling

Chris Ling is a portfolio manager and lead structured products trader in the Fixed Income Investment Management group. Chris has been working in the investment management industry since 2000. Prior to joining BBH in 2011, he worked as a senior analyst for structured products and as a fixed income portfolio manager and trader. Chris holds an undergraduate degree in business management from Binghamton University and an MBA in Finance from the New York University Stern School of Business.



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.

PRINCIPLES OF STRUCTURED 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.

TAXABLE FIXED INCOME

Performance
As of September 30, 2020

Total Returns

Average Annual Total Returns

Composite/Benchmark	Total Returns		Average Annual Total Returns		
	3 Mo.*	YTD*	1 Yr.	3 Yr.	Since Inception
BBH Structured Fixed Income Composite (Gross of Fees)	3.17%	0.83%	1.69%	4.09%	4.55%
BBH Structured Fixed Income Composite (Net of Fees)	3.08%	0.57%	1.33%	3.73%	4.18%
Bloomberg Barclays US ABS Index	0.79%	4.14%	4.55%	3.47%	2.95%

*Returns are not annualized. BBH Structured Fixed Income Composite inception date is 01/01/2016.

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.

Bloomberg Barclays ABS Index is the ABS component of the Bloomberg Barclays US Aggregate index and is comprised of credit and charge card receivables, autos loan receivables, and utility receivables with at least an average life of one year, \$500 million deal size and \$25 million tranche size and an investment grade rating (Baa3/BBB- or higher) by at least two NRSROs. The index is not available for direct investment.

Representative Account
Credit Quality
As of September 30, 2020

	Representative Account	Bloomberg Barclays US ABS Index
Cash and Cash Equivalents	4.8%	0.0%
U.S. Treasuries	0.0%	0.0%
AAA	6.1%	87.4%
AA	1.8%	4.1%
A	22.9%	4.9%
BBB	43.8%	3.5%
BB or Lower	18.6%	0.0%
Not Rated	1.9%	0.0%
Total	100.0%	100.0%

Representative Account
Sector Distribution
As of September 30, 2020

	Representative Account	Bloomberg Barclays US ABS Index
Cash and Cash Equivalents	4.8%	0.0%
Corporate Securities	23.8%	0.0%
Commercial Mortgage-Backed Securities	12.8%	0.0%
Asset-Backed Securities	53.0%	100.0%
Residential Mortgage- Backed Securities	0.8%	0.0%
Loans	4.9%	0.0%
Total	100.0%	100.0%

Representative Account
Duration Distribution
As of September 30, 2020

	Representative Account	Bloomberg Barclays US ABS Index
0 - 2 Yrs.	51.5%	64.0%
2 - 4 Yrs.	35.1%	30.9%
4 - 6 Yrs.	13.4%	2.2%
6 - 8 Yrs.	0.0%	1.4%
8 - 12 Yrs.	0.0%	1.5%
12 - 17 Yrs.	0.0%	0.0%
17+ Yrs.	0.0%	0.0%
Total	100.0%	100.0%

Representative Account
Top 10 Credits
As of September 30, 2020

FS KKR Capital Corp	3.2%
Ares Capital Corp	3.0%
MSC 2019-BPR	2.8%
Nassau CFO LLC	2.8%
Owl Rock Capital Corp	2.8%
Vitality Re	2.7%
Business Development Corporation of America	2.7%
OnDeck Asset Securitization Trust	2.6%
Freedom Financial	2.6%
Bain Capital Credit CLO Ltd	2.6%
Total	27.7%

Representative Account
Portfolio Characteristics
As of September 30, 2020

	Representative Account	Bloomberg Barclays US ABS Index
Effective Duration (years)	2.02	2.04
Yield to Maturity	5.17%	0.53%

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.

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, and inflation risk; investments may be worth more or less than the original cost when redeemed.

Mortgage-backed and asset-backed securities have prepayment, extension, and interest rate risks.

Single Asset-Single Borrower (SASB) securities 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.

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

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

Portfolio holdings and characteristics 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.

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 processes as the Structured 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 structured products accounts over \$10 million that are managed in the Structured Fixed Income strategy. The target duration may range from 1 to 4 years. Investments are focused on asset-backed and related structured fixed income securities. Holdings are primarily investment grade but non-investment grade securities may be held. Investments may include non-dollar fixed income. Accounts are benchmarked to the Barclays Capital Asset-Backed Index or equivalent.

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No Bank Guarantee

May Lose Money

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