BROWN BROTHERS HARRIMAN

BBH Luxembourg Funds - BBH Income Fund

Quarterly Fund Update / 2Q 2024

For Professional / Non-Retail Use Only in Germany, Luxembourg and the UK

2Q Highlights

- The Fund outperformed the Index during the quarter as sector and rating emphases contributed to relative results.
- Credit spreads narrowed across sectors and qualities despite the rigorous pace of issuance during the quarter, but opportunities in select subsectors of the market remain.
- We identified new opportunities within select sectors and industries for the Fund despite waning opportunities in the credit markets.

Performance
Past performance does not predict future results

Annual Returns										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class A	7.59%	-13.28%	0.13%	–	–	–	–	–	–	–
Bloomberg US Aggregate Bond Index	5.53%	-13.01%	-1.54%	–	–	–	–	–	–	–

As of 30 June 2024

	Total Returns		Average Annual Total Returns				
Fund/Benchmark	3 Mo	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
Class A	0.52%	0.66%	5.43%	-1.96%	–	–	-1.45%
Bloomberg US Aggregate Bond Index	0.07%	-0.71%	2.63%	-3.02%	–	–	-2.63%

Class A Inception: 02/11/2020
Class A Ongoing Charges: 0.55%

Returns of less than one year are not annualized

The past performance excludes the entry and exit charges. This figure may vary from year to year. It excludes portfolio transaction costs. Subscription may be subject to an entry charge up to, but not to exceed, 3% of the initial price or subscription price. Fund shares redeemed within 30 days of purchase may be subject to an exit charge of 1%. The entry and exit charges shown are maximum figures. In some cases you may pay less. Performance has been calculated in USD. Performance can be increased or reduced as a result of currency fluctuations.

Sources: Bloomberg and BBH & Co.

Market Environment

Treasury rates continued to respond to investors' predictions for forward-looking Federal Reserve (Fed) interest rate decisions. Strong economic data and still-high inflation data caused investors to continue to shift towards a "higher for longer" disposition for the remainder of 2024. Investors still believe the Fed will cut rates by 50 basis points[1] during 2024, but the anticipated amount of rate cuts was 150 basis points at the start of the year. Longer-term interest rates increased across the yield curve to reflect those changes in expectations. Shorter duration fixed income indexes generated positive returns during the second quarter while longer duration indexes experienced negative total returns. Excess returns to credit were generally positive with two notable exceptions: agency mortgage-backed securities (MBS) and long duration corporate bonds.

Exhibit I: Fixed Income Indexes Returns

Index	Duration (Years)	Total Return (%) QTD	Total Return (%) YTD	Excess Return (%) QTD	Excess Return (%) YTD
Morningstar LSTA Leveraged Loan Index[1]	0.3	1.90	4.40	0.57	1.75
Palmer Square CLO Debt Index[1]	0.3	3.41	7.83	2.08	5.18
Bloomberg 2 Year U.S. Treasury Bellwether Index	1.8	0.86	1.10	–	–
Bloomberg ABS ex Stranded Cost Utilities Index	1.9	1.12	1.87	0.17	0.55
Bloomberg U.S. Corporate High Yield Index	3.1	1.09	2.58	0.36	1.96
Bloomberg Non-Agency CMBS Index	3.7	0.87	3.11	0.33	3.00
ICE BofA AA-BBB US Misc. ABS Index	3.9	1.48	3.67	0.90	3.44
Bloomberg Intermediate Corporate Index	4.1	0.74	1.00	0.23	0.93
Bloomberg U.S. TIPS Index	4.9	0.79	0.70	–	–
Bloomberg U.S. Treasury Index	5.9	0.09	-0.86	–	–
Bloomberg EM USD Aggregate Index	6.0	0.68	2.22	0.54	3.08
Bloomberg MBS Index	6.1	0.07	-0.98	-0.09	-0.23
Bloomberg Aggregate Index	6.1	0.07	**-0.71**	**-0.03**	**0.20**
Bloomberg U.S. Corporate Index	6.9	-0.09	-0.49	-0.04	0.85
Bloomberg 10 Year U.S. Treasury Bellwether Index	7.9	-0.36	-2.03	–	–
Bloomberg Taxable Municipal Index	9.3	-0.77	-1.21	-0.23	1.30
Bloomberg Long Corporate Index	12.7	-1.74	-3.39	-0.57	0.68

Source: Bloomberg, Morningstar LSTA, Palmer Square, ICE, Bank of America, BBH

Data reported as of 30 June 2024

Unless otherwise noted Excess Returns are the returns in excess of duration matched Treasuries.

[1] Excess return computed by BBH as total return less the return of the Bloomberg 3 Month T-Bill Bellwether Index, a proxy for the duration profile of floating-rate leveraged loans and CLO debt.

[1] Basis points (bps) is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

This is a marketing communication. Please refer to the prospectus of the fund and to the KIID/KID before making any final investment decisions.

Credit conditions remain accommodative. High yield default rates remain subdued and continue to be concentrated among CCC-rated issuers, although default rates for all rating categories are below their respective long-term averages. Economic data remained strong, with inflationary pressures persisting and few signs of recession on the horizon. Headline consumer inflation prints have been declining, but wage growth and job openings remains higher than historic averages and could still exert upward pressure on inflation. The Chicago Fed National Activity Index remains above its recession indicator. The U.S. consumer appears to be strong, with loan delinquency rates generally rising off very low bases and not indicating widespread issues. Auto loan delinquency rates rose to their highest levels since 2009 but are within expected ranges for Asset-Backed Securities (ABS) to withstand losses without risk of impairment to bondholders. Business loan performance appears healthy, as delinquency rates are low and default rates are declining. Office delinquency rates remain elevated, while non-office commercial mortgage delinquency rates rose moderately. Return to office dynamics remain weak and continue to pressure office real estate values. The weakening office market has not had an outsized impact on banks' commercial real estate loan portfolios to date, as delinquency rates and charge-offs have been muted.

Valuations

We are finding fewer opportunities in traditional segments of the credit markets as risk spreads remain narrow and net issuance is low. According to our Valuation Framework,[2] the percentage of investment-grade corporate bonds that screened as a "buy" remained near to 13%, and the percentage of high yield corporate bonds that screened as a "buy" in our Valuation Framework increased to 20% from 16% at the start of the quarter. No cohort of 30- or 15-year agency MBS met our Valuation Framework for purchases at quarter-end.

Exhibit II: Outlook by Sector

Sector	Outlook	Positioning
Reserves		
U.S. Treasuries/Futures/Reserves	Hold when attractive credits unavailable	Held to balance yield curve and duration exposures
Government-Related	Unattractive valuations; better opportunities elsewhere	No positions in portfolios
Municipal	Valuations of select municipals are attractive for inclusion in taxable portfolios	Holdings include transportation revenue bonds
Structured Credit		
U.S. MBS	No buy opportunities in 15- and 30-year fixed rate segments of agency MBS markets	No positions in portfolios
RMBS	Continued credit and valuation concerns	No positions in portfolios
CMBS	Opportunities arising among property types with differing credit dynamics	Hold positions in SASB CMBS deals where we have transparency into collateral dynamics
ABS	Opportunities remain in select sectors despite the recent narrowing of risk spreads	Hold positions across diversified set of nontraditional segments
Corporate Credit		
IG Corporate Bonds	Index credit spreads continued to narrow and attractively valued opportunities in benchmarks are scarce	Holdings remain in some interest rate sensitive sectors and among certain security selection opportunities
HY Corporate Bonds	Index spreads widened with low default rates and a low net of issuance, slightly increasing available opportunities	Opportunities tend to reside in industries with challenged business models that require strong credit work
Other Credit		
Emerging Markets	Concerns remain about creditor rights in most emerging market countries	No positions in portfolios

As of 30 June 2024. Portfolio holdings and characteristics are subject to change.

MBS = Mortgage-Backed Securities; RMBS = Residential Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield; SASB = Sing Asset, Single Borrower; REIT = Real Estate Investment Trust

Source: BBH

[2] Our valuation framework is a purely quantitative screen for bonds that may offer excess return potential, primarily from mean reversion in spreads. When the potential excess return is above a specific hurdle rate, we label them "Buys" (others are "Holds" or "Sells"). These ratings are category names, not recommendations, as the valuation framework includes no credit research, a vital second step.

There remain opportunities in select subsectors of the market. Investment-grade corporate bonds in several interest rate sensitive subsectors, such as life insurance, banking, and finance companies, continue to offer attractive opportunities. In the structured credit markets, we continue to find opportunities in select sectors despite the recent narrowing of risk spreads. Opportunities are arising in the commercial mortgage-backed securities (CMBS) market as investors are differentiating among property types with differing credit dynamics.

We continue to avoid emerging markets credits due to concerns over creditor rights in most countries and its impact on their durability. We continue to avoid non-agency residential mortgage-backed securities (RMBS) due to poor technical factors, and weak fundamentals, underpinned by poor housing affordability, low inventory of homes for sale, and stable-to-declining home prices.

Performance

Security selection drove performance during the quarter. Subsectors that contributed to selection included high-grade property and casualty (P&C) insurers' bonds, high yield pharmaceutical bonds, high-grade life insurers, high yield technology bonds, and high yield electric utilities bonds. Subsectors that detracted included high yield bonds issued by specialty finance companies and packaging companies.

The Fund's sector and rating emphases contributed to relative results during the quarter. The Fund was overweight to strong-performing segments of the investment-grade and high yield corporate bond markets, while our valuation discipline helped us avoid two underperforming segments of the market: agency MBS and long-dated corporate bonds.

The Fund's active interest rate exposures had a small but positive impact on returns. We manage the Fund's duration and yield curve exposures to replicate the Index's as transactions occur, and we expect the impact on relative performance to be relatively small over time.

Exhibit III: Fund Attribution

	Average Weight (%)			Contribution (Basis Points)		
	Portfolio	Benchmark	Active	Rates	Sector	Selection
Total Portfolio	**100.0%**	**100.0%**	**0.00%**	**3**	**22**	**35**
Reserves	26.2%	43.8%	-17.6%		0	0
Government-Related	0.0%	3.9%	-3.9%		0	0
Municipal	0.2%	0.0%	0.2%		0	0
U.S. MBS	0.0%	25.6%	-25.6%		2	0
CMBS	0.0%	1.6%	-1.6%		0	0
ABS	0.0%	0.5%	-0.5%		0	0
IG Corporate Bonds	62.2%	24.6%	37.6%		14	19
HY Corporate Bonds	11.3%	0.0%	11.3%		6	16

Past performance is no guarantee future results
Contribution figures are presented gross of fees
As of 30 June 2024
Basis point or "bp" is 1/100th of a percent (0.01% or 0.0001)
MBS = Agency Residential Mortgage-Backed Securities; RMBS = Non-Agency Residential Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed Securities; IG = Investment Grade; HY = High Yield
Source: BBH

Transaction Summary

We continued to find durable credits[3] offering attractive value despite weak attractiveness of valuations of credits in Indexes. The purchases were made across a variety of sectors and industries. The table below summarizes a few notable portfolio additions.

Exhibit V: Transaction Summary

Obligor	Coupon	Maturity	Yield (YTM)	Rating	Spread	Spread Reference	Duration	Sector	Subsector
Sterigenics	7.38	6/1/2031	7.4	BB-	249	SOFR	4.2	Corporate Bond	Healthcare
Sealed Air Corp	6.50	7/15/2032	6.5	BB+	220	Treasuries	4.5	Corporate Bond	Packaging
Skandinaviska Enskilda Banken AB	5.38	3/4/2029	5.5	AA-	100	Treasuries	4.2	Corporate Bond	Banking
Hannon Armstrong Sustainable Infrastructure Capital	6.38	7/1/2034	6.5	BB+	225	Treasuries	7.2	Corporate Bond	Brok-AM-Exch
BlackRock TCP Capital Corp	6.95	5/30/2029	7.2	BBB-	273	Treasuries	4.1	Corporate Bond	Financial Other
Oxford Finance LLC	6.38	1/31/2027	8.5	BB-	390	Treasuries	2.3	Corporate Bond	Finance Companies
Hawaiian Holdings Inc	5.75	1/19/2026	9.7	B+	464	Treasuries	1.6	Corporate Bond	Airlines

As of 30 June 2024. Portfolio holdings and characteristics are subject to change.
SOFR = Secured Overnight Financing Rate, which is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.
Source: BBH

[3] 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. Durable means the ability to withstand a wide variety of economic conditions.

Characteristics

At the end of the quarter, the Fund's duration was 6.2 years and continued to approximate that of its benchmark. High yield investments increased to 13% from 10% and were comprised primarily of credits rated "BB." The Fund's yield to maturity was 5.8% and remained elevated versus bond market alternatives. The Fund's option-adjusted spread was 118 basis points over Treasuries; for reference, the Bloomberg U.S. Corporate Index's was 94 basis points at quarter-end.

Exhibit IV: Fund Characteristics

Portfolio Characteristics

	Portfolio	Benchmark	Active
Effective Duration (Years)	6.15	6.13	100%
Spread Duration (Years)	2.79	3.48	80%
Yield to Maturity (%)	5.82	5.00	0.82
Option-Adjusted Spread (bps)	118	39	79

Credit Rating (%)

	Portfolio	Benchmark
AAA/TSY/Cash	27.1	72.3
AA	10.4	3.9
A	24.1	11.6
BBB	25.6	12.2
BB	10.8	0.0
B	1.1	0.0
CCC & Below/NR	0.9	0.0

Sector Allocation (%)

	Portfolio	Benchmark	Active
Reserves	25.2	44.1	-18.9
Government-Related	0.0	3.9	-3.9
Municipal	0.2	0.0	0.2
MBS (Agency)	0.0	25.6	-25.6
CMBS	0.0	1.6	-1.6
ABS	0.0	0.5	-0.5
IG Corporate Bonds	61.8	24.5	37.3
HY Corporate Bonds	12.8	0.0	12.8

Portfolio holdings and characteristics are subject to change.

Bloomberg US Aggregate Bond Index

Data reported as of 30 June 2024

TSY = Treausury; MBS = Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities; ABS = Asset-Backed; IG = Investment Grade; HY = High Yield

Source: BBH

Concluding Remarks

An environment like this can test the resolve of credit investors. Credit conditions appear relatively benign and issuance is robust, leading even the most disciplined investors to question the virtues of a valuation discipline when no observable risk event appears on the horizon. Opportunities remain, yet the importance of calibrating valuation and credit discipline is of utmost importance when conditions appear calmest.

Sincerely,

Andrew P. Hofer
Fund Co-Manager

Neil Hohmann, PhD
Fund Co-Manager

Paul Kunz, CFA
Fund Co-Manager

Thomas Brennan, CFA
Fixed Income Product Specialist

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Purchase and sale information provided should not be considered as a recommendation to purchase or sell a particular security and that there is no assurance, as of the date of publication, that the securities purchased remain in a fund's portfolio or that securities sold have not been repurchased. Nothing contained herein is intended as a recommendation to buy or sell any security, or to invest in any particular country, sector or asset class.

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

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

An investment in shares of the Fund and not in any underlying investment owned by the Fund.

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. 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.

Effective duration is a measure of the portfolio's return sensitivity to changes in interest rates. Weighted Average Life of securities excludes US Treasury futures positions.

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 fees and expenses.

Weighted Average Life of securities excludes US Treasury futures positions.

The Fund is actively managed. Under normal circumstances, the Fund is managed with the intention of maintaining an effective duration of between 80%-120% of the effective duration of Bloomberg US Aggregate Index.

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

Definitions

Bloomberg US Aggregate Bond Index is a market value-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.

An index is not available for direct investment.

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Risks

Investors in the Fund 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.

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.

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.

SASB 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.

The Fund 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.

Non-U.S. investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

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

There is no assurance the Fund will achieve its investment objectives.

Complete information on the Fund's risks and expenses can be found in the prospectus.

The decision to invest in the fund should take into account all the characteristics or objectives of the fund as described in its prospectus

Other Important Disclosures

Brown Brothers Harriman & Co. ("BBH") is the promoter and principal distributor of the Funds. Brown Brothers Harriman Mutual Fund Advisory Department (a separately identifiable department of BBH) provides investment advice to the Funds. BBH Luxembourg Funds (the "Company") is a Luxembourg-registered Société d'Investissement à Capital Variable - undertaking for collective investment in transferrable securities (SICAV-UCITS) regulated by the Commission de Surveillance du Secteur Financier ("CSSF"), the Luxembourg financial services authority. The SICAV designated FundRock Management Company S.A. to serve as its designated management company in accordance with Chapter 15 of the Luxembourg Law of 17th December 2010; FundRock Management Company S.A. was incorporated on 10 November 2004 for an unlimited duration under the laws of Luxembourg and registered on the official list of Luxembourg management companies.

BBH has prepared this communication for use on a confidential and limited basis solely for the information of those to whom it is transmitted and is not to be reproduced or used for any other purpose. This communication, that constitutes a marketing communication, is intended to be a general update of the Fund and does not constitute an offer to sell, or a solicitation of an offer to purchase, any interest in the Fund or any other investment product in any jurisdiction where such offer or solicitation is not lawful, where marketing to the intended recipient is prohibited or where the person making such offer or solicitation is not qualified to do so.

Subscriptions will only be received and shares issued on the basis of the current prospectus of the Company (the "Prospectus") and applicable Key Investor Information Documents of the Fund (the "KIIDs"). Investment in this Fund entails risks which are described in more detail in the Prospectus and the KIIDs. Investors should obtain and read a copy of the Prospectus and the KIIDs before investing. Exit Charges are payable to the Fund and not BBH. For a copy of the Prospectus and the KIIDs, in English, French, or German, please contact the Company's representative or its local distributor, or access the following site: www.bbhluxembourgfunds.com. The contact details of the Company's representatives in the countries where the Company is registered are provided below in the section for each country.

The Company complies with the European Directive 2009/65/EC on undertaking for collective investment in transferable securities (UCITS), dated 13 July 2009, which established a set of common rules in order to permit the cross border marketing of collective investment schemes. Unauthorized distribution, reproduction or redistribution of this document without the prior written permission of the Company is prohibited. Potential investors in the Fund should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of shares of the Fund.

Neither the Fund nor any of its shares have been registered, nor will be registered, under the U.S. Investment Company Act of 1940, as amended, or the U.S. Securities Act of 1933, as amended, and, as such, may not be offered or sold directly or indirectly in the United States or to a U.S. person.

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For Prospective Investors Domiciled in Germany:

The Fund is duly registered with the German Federal Financial Supervisory Authority, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). The representative agent of the Fund in Germany is Société Générale (Dejan Djurdjevi - Tel.: +49 (0) 69 7174 497).

For Prospective Investors Domiciled in Luxembourg:

The Company's address in Luxembourg is 6, route de Trève, L-2633 Senningerberg, Grand Duchy of Luxembourg (Tel.: +1-800-625-5759).

For Prospective Investors Domiciled in the UK:

The Fund is duly registered with the UK Financial Conduct Authority.

Additional information regarding the Fund including investment positions is available upon request.

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