Case for US Fixed Income

We believe that the U.S. bond markets offer compelling features to European investors. Below, we illustrate how and why conditions favor an active approach to U.S. bond markets in 2022.

1. U.S. Yields have risen to favor investors after hedging costs

The U.S. appears poised to raise its monetary policy rate by a greater magnitude than the ECB, and that creates an accommodative environment for hedging costs. As Exhibit I illustrates, we estimate that investors can realize higher net-of-fee returns through hedging diversified U.S. bond portfolios than what is afforded by local unhedged alternatives.

The scenarios presented are an estimate of future performance based on current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product.

Exhibit I: Yields on Hedged Active U.S. Fixed Income Portfolios vs. Unhedged German Government Bonds

	Fund	
	Short Duration	Income
Duration	0.91	6.34
Yield	1.81%	3.46%
Hedging Cost	0.74%	0.74%
Hedging Program Cost	0.07%	0.07%
Expense (Class A)	0.50%	0.55%
Hedged Yield	**0.50%**	**2.10%**
Unhedged Alternative	**-0.66%**	**0.13%**

Data as of February 15, 2022
Sources: Bloomberg and BBH Analysis

"Unhedged Alternative Yield" is the generic 1 year government bond yield for the Short Duration Fund and the generic 7 year government bond yield for the Income Fund

2. The U.S. offers the largest credit markets that provide abundant opportunities to earn yield

The U.S. corporate bond market is a $10 trillion market that is deep and abundant with opportunities. However, an active approach is necessary to extract the most valuable features of this market.

The Bloomberg U.S. Corporate Index, a mainstream investment-grade corporate bond index, captures almost 70% of this market. The Bloomberg U.S. Corporate Index has some features we believe are unattractive: the index's spread is near the lower end of its

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

historical range at 108 basis points[1] (2/15/22), the index has become increasingly dominated by longer-maturity bonds, and only 3% of the Index screened as a "buy" by our proprietary valuation approach on January 31, 2022.

The other $3 trillion of the corporate bond market consists of a variety of corporate bonds that do not meet the Index's inclusion criteria and do not gain widespread acceptance. As a result, we find many of the best opportunities fall outside the Bloomberg U.S. Corporate Index. These bonds may offer combinations of benefits, including higher yields, higher credit spreads, or shorter durations. Examples include floating-rate bonds, high yield bonds, smaller issues, bonds with fewer assigned credit ratings, and bonds with less-familiar structures.

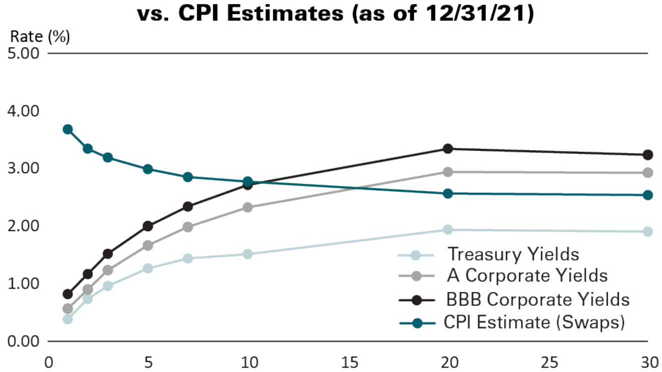
3. U.S. markets provide the most robust set of tools to manage bond market risks

The U.S. credit markets offer active managers an abundance of tools to manage bond portfolios. In addition to market dynamics, such as their yields, valuations, and fundamental strength, corporate bonds may offer different cash flow features to help mitigate risks. Corporate bonds may be fixed-rate, floating-rate, or a hybrid ("fixed-to-floating," where the bond pays a fixed rate of interest for a predetermined period, and after then pays a predetermined floating rate of interest until its maturity). Issuers may issue bonds with different seniorities (i.e., senior secured, senior unsecured, subordinated, or preferred) or different embedded options. Our active management approach evaluates bonds of all structures to find durable credits at attractive yields for our clients' portfolios.

4. U.S. rates have risen this year, providing higher income opportunities

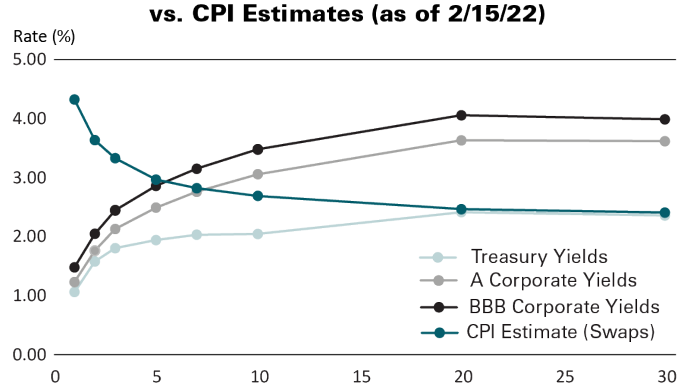
The environment appears more uncertain as we look ahead. The graphs below show the relationships between bond yields and inflation expectations at year-end 2021 (Exhibit II) and after six weeks of trading in 2022 (Exhibit III). There are some fascinating points to highlight. Longer-term inflation expectations (10+ years) remained pretty stable, while longer-term U.S. Treasury bond yields rose to levels that approximate longer-term inflation expectations. As in December, we are not in the business of predicting what will happen next. But it is fair to observe that longer-term yields are in closer alignment to longer-term inflation expectations. With the market anticipating the Fed will act aggressively to curb inflationary pressures, it is even less certain to predict the directions that longer-term inflation expectations and bond yields will move. It is not radical to suggest that a successful Fed tightening cycle could cause inflation expectations to decrease while long-term bond yields remain stable.

Exhibit II: US Investment-Grade Bond Yields vs. CPI Estimates (as of 12/31/21)



Sources: Bloomberg and BBH Analysis

Exhibit III: US Investment-Grade Bond Yields vs. CPI Estimates (as of 2/15/22)



Sources: Bloomberg and BBH Analysis

In the decades prior to the Great Financial Crisis, each tightening cycle by the Fed precipitated a recession, in which rates decreased rapidly. Everyone at the Fed remembers or understands that. Which could mean they react more dovish this time. Or they repeat the

[1] One "basis point" or "bp" is 1/100th of a percent (0.01% or 0.0001)

mistake. As always, these things are difficult to predict, and large bets on them can be both expensive to execute and seem to only have a 50/50 chance of being directionally correct. That's why we stick with valuations and fundamentals.

Why you should partner with BBH to access the U.S. fixed income markets

We employ a credit-driven approach to constructing portfolios that is predicated on identifying durable credits at attractive yields. We build portfolios bond by bond and are not restricted by benchmarks. This approach leads us to the bonds we purchase.

The graphs below illustrate how we apply our approach to the full credit markets, and not just what is offered in indexes. Exhibit IV shows the composition of the U.S. corporate bond market by representation in the Bloomberg U.S. Corporate Index. Exhibit V shows the composition of the corporate bonds held in the BBH Income Fund along those same dimensions.

Exhibit IV: U.S. Corporate Bond Universe ($10 Trillion)

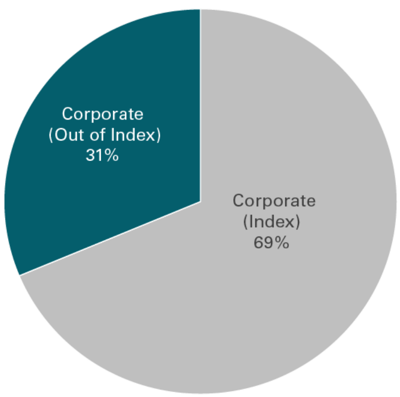
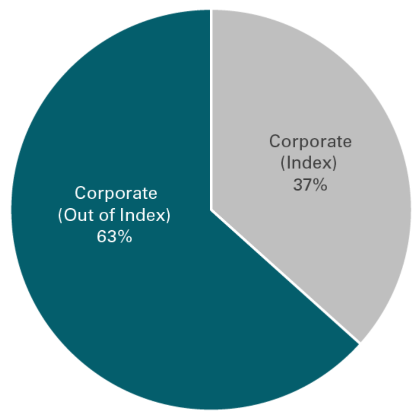


Exhibit V: Income Fund Corporate Bond Distribution



Data as of January 31, 2022
Source: BBH Analysis

The Short Duration Fund's corporate positioning enjoys similar attributes as described above.

We believe that our time-tested approach of carefully selecting credit opportunities across a broad opportunity set can provide differentiated results for investors as uncertain economic conditions loom.

The estimates of future performance exclude the entry and exit charges. The ongoing charges figure shown is an estimate and excludes portfolio transaction costs. This figure may vary from year to year. The entry change is 3% of the initial price of the subscription price. The 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 case you may pay less.

Estimates of future performance has been calculated in USD. Performance can be increased or reduced as a result of currency fluctuations.

Risks

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

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. Asset-backed securities and mortgage-backed securities are generally limited recourse obligations and 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. Below investment grade securities are subject to a high level of credit and market risks.

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 bond investments.

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

Non-U.S. 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.

A significant investment of Fund assets within 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 the Fund's return.

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

Risk factors are described in more details in the Fund's 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.

This document is directed only at persons/entities who are professional clients or eligible counterparties in Germany pursuant to the Markets in Financial Instruments (MiFID) Directive 2004/39/EC and must not be relied upon by any other person.

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).