

LIBOR TRANSITION

BBH Luxembourg Funds

June 2021



Background:

With the cessation of the London Interbank Offered Rate (“LIBOR”) and transition to alternative reference rates looming, asset managers and other financial institutions are closely monitoring developments with respect to replacement rates for the most widely used interest rate benchmark in the world and the potential downstream financial and operational implications.

BBH has been preparing for this event, considering both the specific impact to BBH Luxembourg Funds and BBH Investment Management (“IM”) itself, as well how best to support our clients during the transition.

This document details our preparation and plans for the cessation of LIBOR, as well as considerations for BBH Luxembourg Funds and IM clients and the services that BBH provides to you.

Timeline:

End of 2021:

- The one-week and two-month U.S. dollar (“USD”) LIBOR rates will cease publication
- U.S. regulators strongly encourage market participants to stop entering into new USD LIBOR-based financial contracts before the end of 2021

June 2023:

The overnight, one, three, six, and 12-month USD LIBOR will cease publication.

Impact on BBH:

Firmwide:

Broadly speaking, the direct impact of LIBOR cessation to BBH is minimal. Relative to other banks, BBH’s loan book is small, and we hold immaterial amounts of floating rate securities and interest rates swaps; thus, BBH’s own financial position is not materially impacted by the cessation of LIBOR.

From operational and systems perspectives, BBH uses LIBOR as an input into various systems, calculators, and models for the purpose of calculating asset values, income accruals/receivables, and fees. BBH has identified those inputs and confirmed that, in cases where LIBOR is used as an input, we have appropriate systems, operational processes and procedures in place to be able to input the new market rate or rates, once known.

We have also leveraged our comprehensive Vendor Management Program to identify those key market data vendors that provide BBH with reference rate feeds. These vendors have confirmed that they are able to provide BBH with alternative reference rates, once determined.

BBH IM:

We do not expect that the discontinuation of LIBOR will have any meaningful impact on our portfolios. Our approach has been to analyze the re-pricing risk associated with the LIBOR replacement, inclusive of the index basis and other interest calculation terms.

BBH’s Readiness Efforts:

BBH has taken active steps to ensure that it is prepared to respond to the LIBOR transition requirement as a financial market participant, asset manager and counterparty.

Firmwide:

BBH formally established a LIBOR Transition Steering Committee (the “Committee”) at the beginning of 2019 with responsibility for a comprehensive, firm-wide program to identify, assess, monitor, and manage remediation activities related to the firm’s exposure to, and readiness for, the transition of reference rates away from LIBOR. The Committee consists of senior executives from across the firm’s business units and geographies, as well as executives from our finance, risk and control functions. The Committee reports to BBH’s Governance, Risk & Compliance Oversight Committee, which itself reports to the Executive Committee of the firm.

BBH IM:**To date, we have completed the following steps:**

- ✓ Established a LIBOR Transition Working Group consisting of three focus areas:
 - 1) Business & Investment (exposures, performance benchmarks, liquidity & valuation),
 - 2) Operational (systems & technology, third-party vendors, reporting & marketing) and
 - 3) Legal & Communications (client communications and disclosures, client and trading agreements and prospectus review).
- ✓ Identified all of the securities with LIBOR reference rates held in investment portfolios
- ✓ Identified all the relevant trading systems that will need updating to handle alternative reference rates (“ARR”)

We are collaborating with a wide cross-section of other parties who will be important to the success of this transition, including other managers, brokers, Bloomberg, and other pricing services.

We continue to monitor the relevant regulatory updates to help us effectively execute our project plan.

Next Steps:

BBH IM’s LIBOR Transition Working Group is focusing its next steps in the near term to:

- complete a comprehensive impact assessment for the various portfolios’ exposure, performance benchmarks, liquidity and valuation
- review all investment management agreements for the presence of fallback language and identified those that do not.
- execute the transition project plan to define and implement requisite changes to key operational processes, including front office valuation models and risk systems.

We will keep you posted of our progress in the transition process.

We would be pleased to discuss our preparations for LIBOR cessation and the specific requirements and/or transition support most relevant to you.

Please contact your relationship or client service manager for additional detail.

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

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