

TAX EXEMPT TOTAL RETURN

May 2019

Holding-Based Statistics

	Tax Exempt Total Return	Bloomberg Barclays Muni Bond
Yield to Maturity	2.64%	2.95%
Effective Duration	4.32 years	4.84 years
Average Credit Quality	A	AA

Strategy Statistics

Range of Holdings (Issuers)	75 - 100 est
Annualized Turnover	20% est
Firm Assets	204.14
Product Assets	18.25

Investment Philosophy

The Tax Exempt Total Return strategy seeks to deliver total return and a high level of tax-exempt income by constructing a diversified and high quality portfolio of municipal securities. Using a value oriented and opportunistic approach, the strategy takes advantage of the entire yield curve and investment grade credit quality spectrum. This separate account strategy can be customized to meet individual liquidity needs or risk tolerance.

Portfolio Management Team

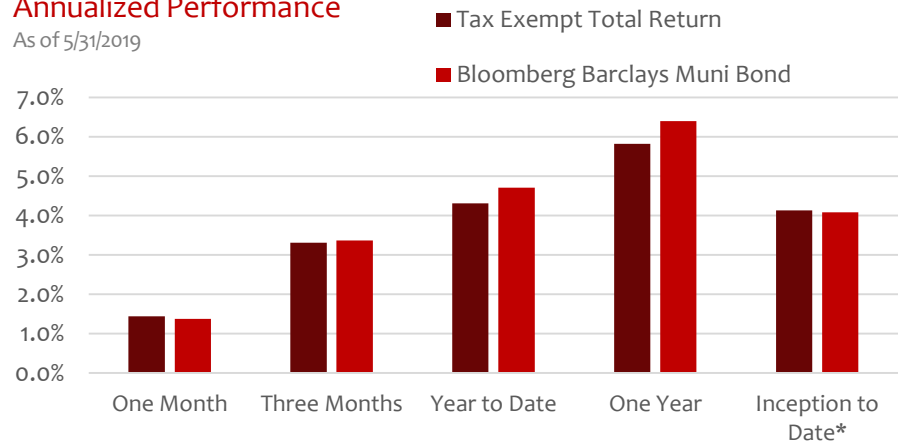
David M. Killian
Joseph D. Shacklock

Inception Date

6/30/2017

Annualized Performance

As of 5/31/2019

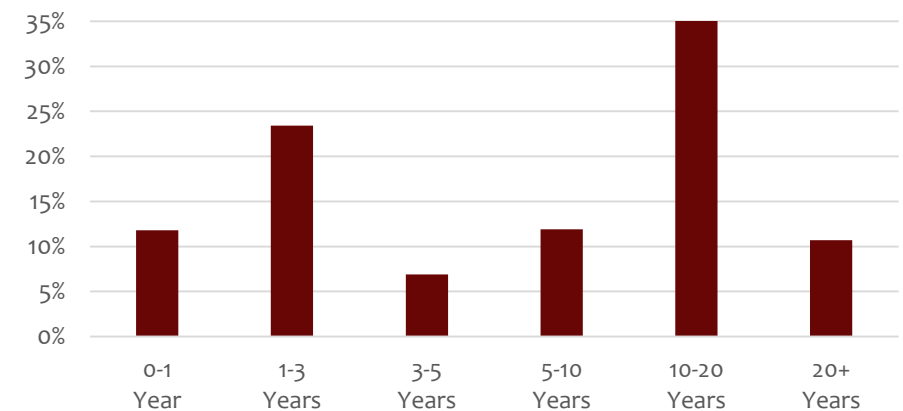


	One Month	Three Months	Year to Date	One Year	Inception to Date*
Tax Exempt Total Return	1.44%	3.31%	4.31%	5.82%	4.13%
Bloomberg Barclays Muni Bond	1.38%	3.37%	4.71%	6.40%	4.08%

* Inception 6/30/2017

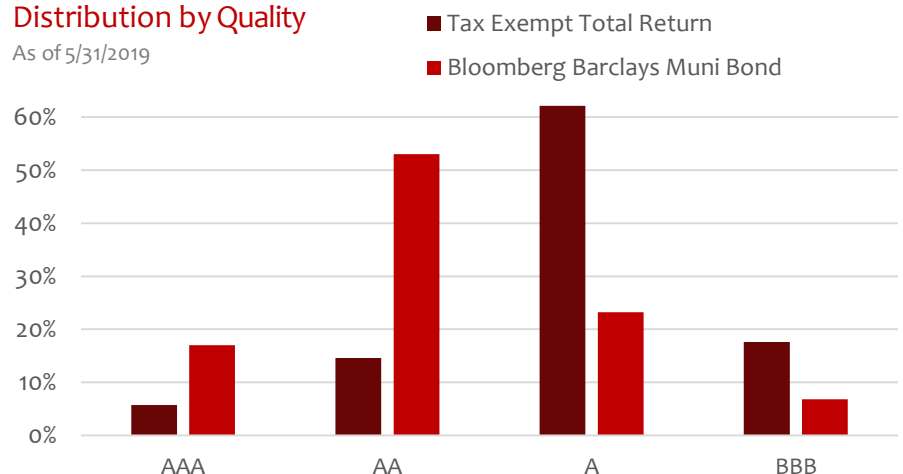
Maturity Distribution

As of 5/31/2019



Distribution by Quality

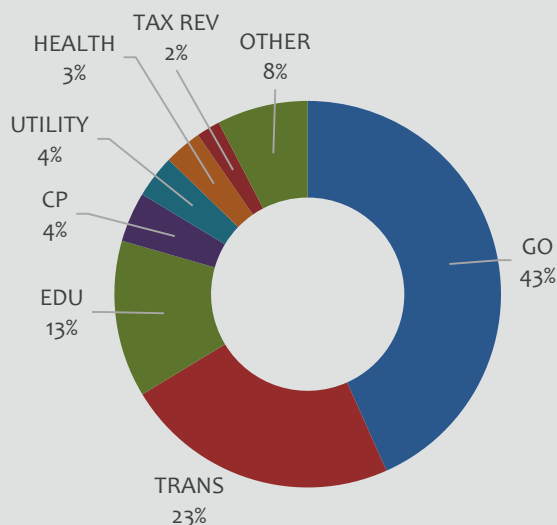
As of 5/31/2019



1Q2019 Portfolio Commentary

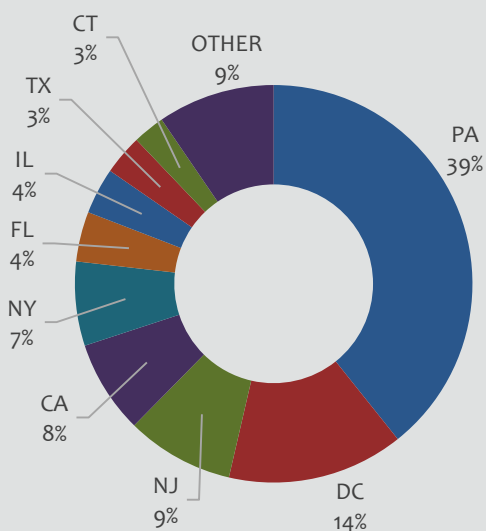
Sector Distribution

As of 5/31/2019



State Distribution

As of 5/31/2019



Despite current expectations that real GDP is expected to slow in the coming year to a range of 2%-2.5% from close to 3% last year, the S&P 500 still managed to gain 13.65% during the first quarter; the largest quarterly advance in nearly ten years. During the period the S&P recovered fully from the decline experienced during the December selloff. Positive market catalysts included an oversold technical position as we entered the year, better than expected corporate earnings, and continued progress in U.S./China trade negotiations. The market strength was further supported by the results of the March 19th FOMC meeting after which the Fed Chair indicated that no further interest rate increases would occur this year. The Fed's abrupt shift in policy stemmed from three key factors: tighter financial conditions during the fourth quarter, a significant slowdown in global growth, and limited inflation pressures. Given increasing concern among investors that the Federal Reserve may move too aggressively in raising interest rates, this surprise announcement was welcome news to the market. Interest rates declined for the period with the Ten-Year U.S. Treasury yield ending the quarter at 2.4%, down from the year end level of 2.68%. Contrary to the positive sentiment driving higher stock prices, bond market indicators are signaling a more cautious outlook. As per the fed funds futures, market investors are now expecting the Fed to cut rates this year to combat a slowing economy. This view is also consistent with the recent behavior of the yield curve, which continues to flatten and in some instances invert. The Fed's pivot to a more dovish stance, while positive in the near term, may prove insufficient to overcome both a meaningful slowing in the global economy, particularly China, and the lagged effect of prior rate hikes.

Investment Grade corporate bonds were the top performing sector during the quarter, advancing 5.14%, which reflected the overall positive market sentiment towards risk assets. Municipal bonds were the second best performing sector, returning 2.95% for the period. The safe haven U.S. Treasury and Mortgage Backed sectors returned 2.11% and 2.17% respectively. The municipal bond market continues to benefit from a very favorable supply/demand backdrop given reduced supply and continued strong investor demand stemming from recent tax law changes that capped state and local income tax deductions. Short term municipal bonds have exhibited particular strength as many investors gravitated towards this segment of the yield curve as a safe haven from Federal Reserve rate hikes. The recent pivot in Federal Reserve policy, however, reduces the risk of higher interest rates going forward and increases the relative attractiveness of intermediate tax free bonds where valuations had already been quite compelling. We anticipate reducing portfolio exposure to overvalued short and longer dated maturities and focusing new investments in intermediate bonds where high quality tax free yields are approaching 3.5%.



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Birch Run Investments claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Birch Run Investments has been independently verified for the period ending September 30, 2018. The performance data quoted represents past performance; past performance does not guarantee future results. Current performance may be lower or higher than the performance data quoted. To receive a complete list and description of Birch Run Investments composites and/or presentation that adheres to the GIPS standards, please contact David Killian by phone 610-321-3453, email info@birchruneinvest.com, or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.