

TAX EXEMPT TOTAL RETURN

August 2019

Holding-Based Statistics

	Tax Exempt Total Return	Bloomberg Barclays Muni Bond
Yield to Maturity	2.47%	2.70%
Effective Duration	4.90 years	4.85 years
Average Credit Quality	A	AA-

Strategy Statistics

Range of Holdings (Issuers)	75 - 100 est
Annualized Turnover	20% est
Firm Assets	208.4
Product Assets	18.73

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

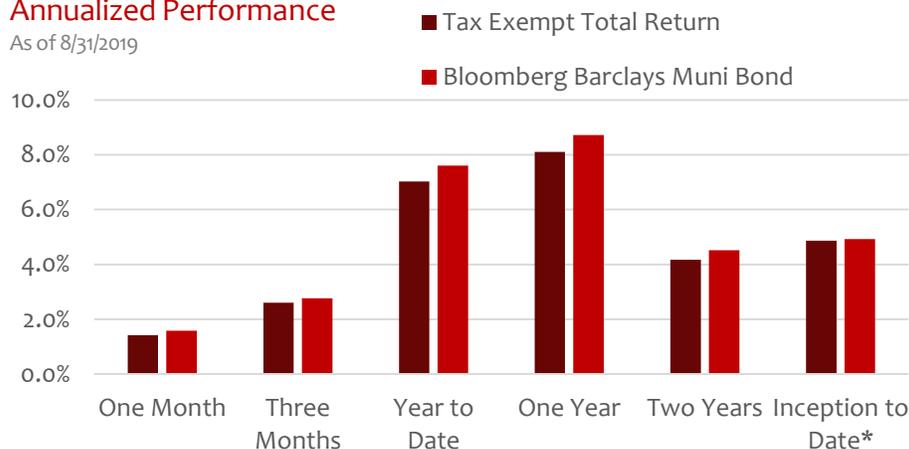
David M. Killian
Joseph D. Shacklock

Inception Date

6/30/2017

Annualized Performance

As of 8/31/2019

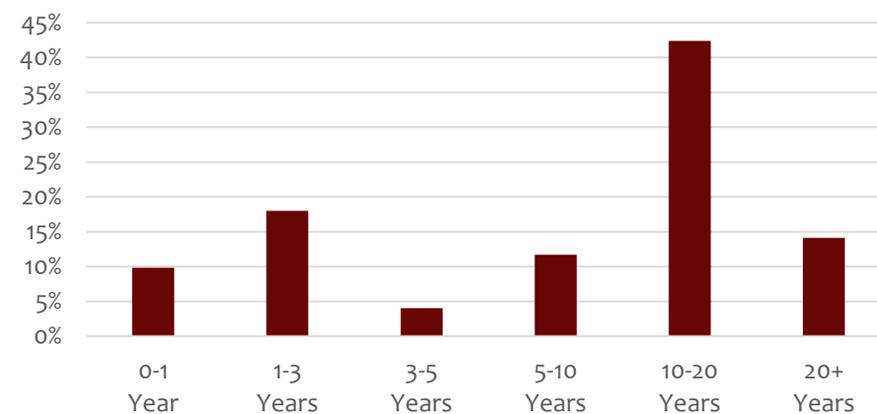


	One Month	Three Months	Year to Date	One Year	Two Years	Inception to Date*
Tax Exempt Total Return	1.42%	2.60%	7.02%	8.11%	4.17%	4.87%
Bloomberg Barclays Muni Bond	1.58%	2.77%	7.61%	8.72%	4.52%	4.92%

* Inception 6/30/2017

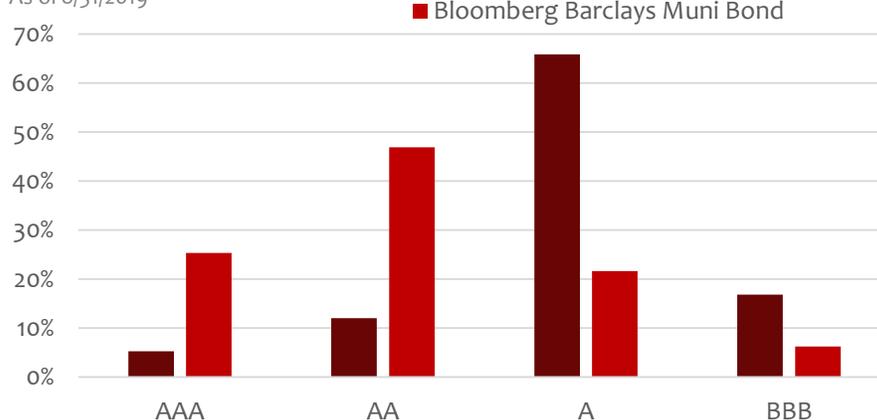
Maturity Distribution

As of 8/31/2019



Distribution by Quality

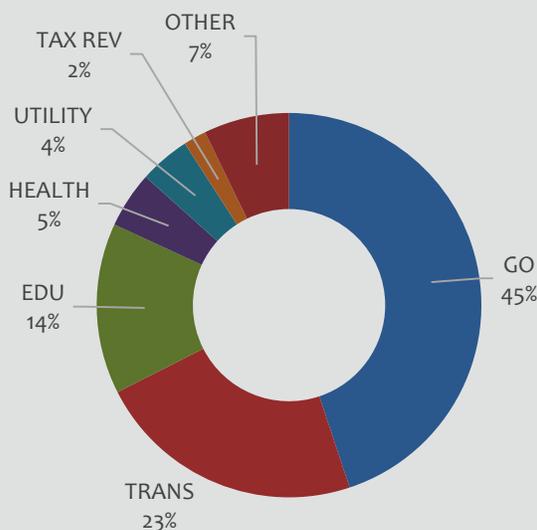
As of 8/31/2019



2Q2019 Portfolio Commentary

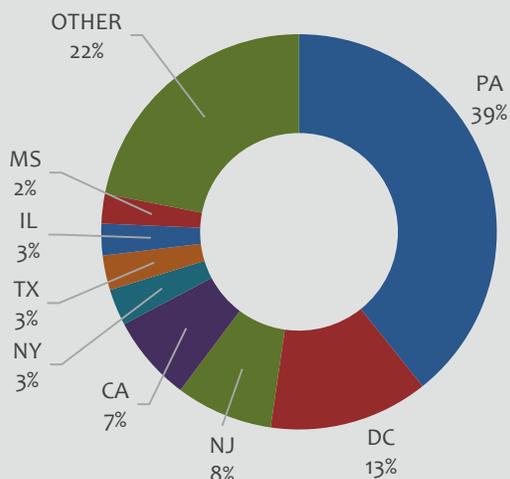
Sector Distribution

As of 8/31/2019



State Distribution

As of 8/31/2019



With the U.S. economy now entering a record 11th year of economic expansion, evidence is building that the longevity of the current cycle may be measured in quarters not years. Economic growth for the second quarter is expected to have decelerated from the first quarter advance of 3.1% to an annual growth rate of just 1.3%. This dramatic slowdown reflects both slower domestic activity and continued weakness in both Europe and China. Continued escalation in U.S. and China trade negotiations has weighed heavily on U.S manufacturing activity, which slowed to the lowest level of the Trump presidency during the month of May. Further evidence of a slowdown can be seen in weaker than expected new home sales and monthly non-farm payroll gains that have fallen below expectations. Despite the record length of the expansion and the lowest unemployment rate in close to fifty years, inflation has stubbornly remained below the Fed's target of 2.0%. Low inflation, which previously had been viewed as transitory, is now a point of growing concern among investors and the policy makers.

In light of weaker than expected economic data and persistently low inflation, the Fed has indicated a new willingness to lower interest rates in an effort to prolong the economic expansion. Such an abrupt shift by Fed officials from the 4th quarter of 2018, when they suggested interest rates would continue to climb throughout 2019, is likely underpinned by a recognition that prior rate increases were ill-timed. This pivot to a more accommodative policy can also be seen globally. ECB President Draghi has suggested that additional stimulus in the Eurozone may be warranted if inflation in the region doesn't improve. These recent developments have resulted in a repricing of interest rates globally. U.S. 10-year Treasury yields closed the quarter at 2.0%, 50 bps lower than where they traded at the end of April, while the German 10-year yield hit a new record low of negative 0.30%. U.S. Treasury yields across all maturities now trade at or below the Fed's current targeted range of 2.0%-2.5%, underscoring the likelihood of future rate reductions. Investor debate currently centers on whether pre-emptive interest rate reductions by the Fed will be successful in preventing a recession. Encouragingly, the FOMC responded in a similar way by cutting rates in the mid '90s when economic conditions changed abruptly, and the economy continued to grow for another four years.

Municipal bonds performed well during the quarter, benefitting from the sharp decline in U.S. Treasury yields and, consistent with recent trends, favorable supply demand dynamics. Net negative supply in the coming months (more bonds called and/or matured than new bonds issued) will continue to provide a very favorable technical backdrop for the sector. The Fed's pivot to a more accommodative stance lessens the attractiveness of longer dated bonds in our view. Anticipated rate reductions will likely stoke inflation concerns, resulting in higher yields for longer dated maturities. We continue to focus new investments on intermediate maturities, which we expect will perform well as the yield curve normalizes to a more typical positive slope.



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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@birchruntime.com, or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.