

### Holding-Based Statistics

	Core Fixed Income	Bloomberg Barclays Agg. Index
Yield to Maturity	2.10%	2.28%
Effective Duration	5.28 years	5.66 years
Average Quality	AA-	AA

### Strategy Statistics

Range of Holdings (Issuers)	100 - 150 est
Annualized Turnover	20% est
Firm Assets	207.9
Product Assets	32.93

### Investment Philosophy

The Core Fixed Income Strategy seeks to add value by capturing market inefficiencies with regards to security selection and sector rotation. Through rigorous credit research and thoughtful analysis of risk/reward, we seek to construct portfolios with a yield advantage to the overall market. Through the compounding of this yield advantage and by minimizing other areas of portfolio volatility, we believe we can offer clients an attractive risk adjusted return through different market cycles.

### Portfolio Management Team

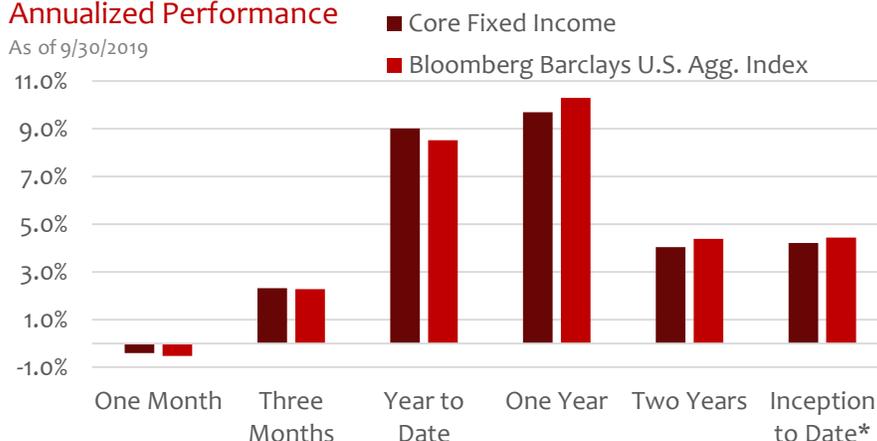
David M. Killian  
Joseph D. Shacklock

### Inception Date

3/31/2017

### Annualized Performance

As of 9/30/2019

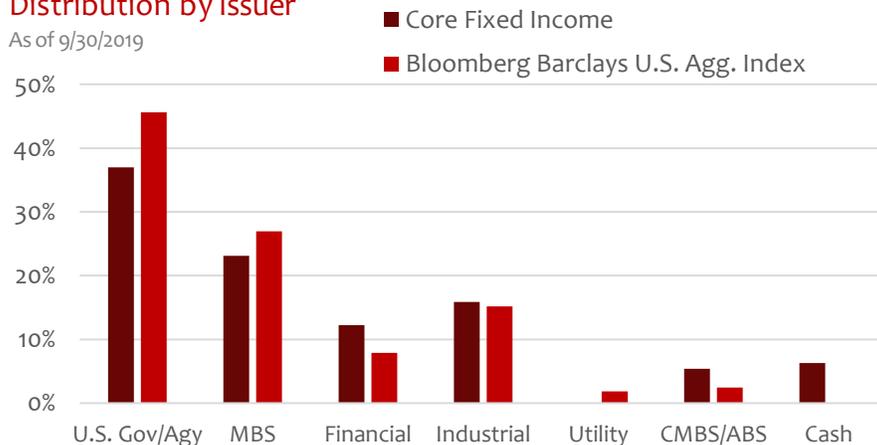


	One Month	Three Months	Year to Date	One Year	Two Years	Inception to Date*
Core Fixed Income	-0.41%	2.32%	9.02%	9.70%	4.04%	4.21%
Bloomberg Barclays U.S. Agg. Index	-0.53%	2.27%	8.52%	10.30%	4.38%	4.44%

\* Inception 3/31/2017

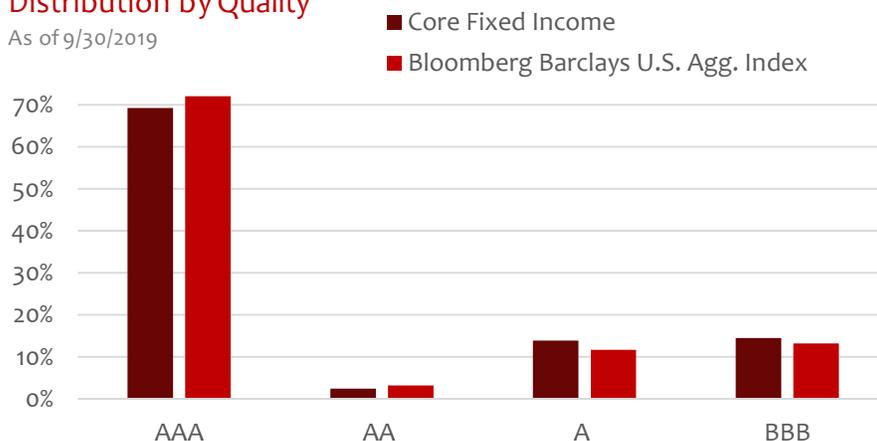
### Distribution by Issuer

As of 9/30/2019



### Distribution by Quality

As of 9/30/2019



## Top 10 Holdings

As of 9/30/2019

US Treasury 2.875% - 8/15/28	6.16%
US Treasury 2.625% - 2/15/29	4.54%
US Treasury 1.625% - 11/15/22	3.45%
US Treasury 2.125% - 5/15/25	3.44%
US Treasury 2.375% - 5/15/29	3.14%
US Treasury 2.50% - 3/31/23	2.83%
US Treasury 2.00% - 8/15/25	2.58%
US Treasury 2.00% - 2/15/22	2.30%
Procter & Gamble Co 2.15% - 8/11/22	1.85%
Synchrony Financial 3.95% - 12/1/27	1.77%

## 3Q2019 Portfolio Commentary

The increasingly cautious tone to investor sentiment witnessed throughout the year was again evident this past quarter as global economic growth and inflation expectations continued to decline. While the economy is continuing to advance, the rate of growth has clearly slowed. Current expectations are that GDP will advance 2.0% in 2019 and slow further in 2020 to 1.7%, a meaningful deceleration from the 2.9% growth experienced in 2018. A central theme underlying the slowing U.S. growth outlook has been the lagged effect of ill-timed prior Fed rate increases and the ongoing uncertainties resulting from the U.S. China trade dispute. A key catalyst for increased investor concern during the third quarter was a surprisingly sharp decline in the manufacturing outlook to a level not seen in nearly ten years. Trade tensions and the resulting pullback in business sentiment has been a meaningful headwind for the manufacturing sector, and the recent reading now suggests that this segment of the economy is already in the grips of a recession. The modest strength the U.S. economy has been experiencing has been heavily weighted on the resilience and strength of consumer spending. Although a lagging indicator, the strength of the labor market continues to impress with the most recent payroll data showing the unemployment rate at a fifty year low of 3.5% and wage growth advancing 2.9% year over year. Whether a contraction in the manufacturing sector and growing trade uncertainties results in a slowdown of consumer spending is a growing point of concern and central to the economic outlook. The most recent economic survey that measures the pace of consumer spending has slowed, but encouragingly still suggests positive momentum. As expected, the Federal Reserve has responded to this uncertain outlook by continuing to reduce short term interest rates. Expectations are high that they will again cut rates at the upcoming October meeting of the FOMC.

Reflecting increased recession risks, U.S. Treasury yields declined sharply during the quarter with U.S. 10-year bonds re-testing the all-time low in yields last seen in 2016. The 10-year U.S. Treasury closed the quarter at a yield of 1.67%. In light of the large portion of global bonds with negative yields, slowing global growth, and little to no inflation pressure, it's of little surprise that interest rates in the U.S. continue to decline. We continue to believe that the actions of the Federal Reserve to reduce interest rates is temporarily supportive of risk assets, but that the growing risk of an economic slowdown warrants a more conservative portfolio structure. In accordance with this outlook, we have reduced exposure to BBB rated corporate bonds and have increased the overall credit quality of the portfolio by focusing new investments in safe haven government guaranteed securities.



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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@birchrinvest.com](mailto:info@birchrinvest.com), or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.