

Holding-Based Statistics

	1-5 Year Corporate	Bloomberg Barclays 1-5yr Corporate
Yield to Maturity	2.06%	1.75%
Effective Duration	2.84 years	2.57 years
Average Credit Quality	BBB+	A-

Strategy Statistics

Number of Bonds	147
Annualized Turnover	20% est
Firm Assets	220.90
Product Assets	34.34

Investment Philosophy

The 1-5 Year Corporate strategy is managed to provide a high degree of current income with an equal emphasis on price appreciation with limited interest rate risk. The strategy tactically allocates across a broad spectrum of investment grade corporate bonds, high yield corporate bonds, and U.S. Government securities based on relative value. The separate account strategy is actively managed with regards to security selection and yield curve exposure with an objective to generate a total return in excess of the index over a full market cycle.

Portfolio Management Team

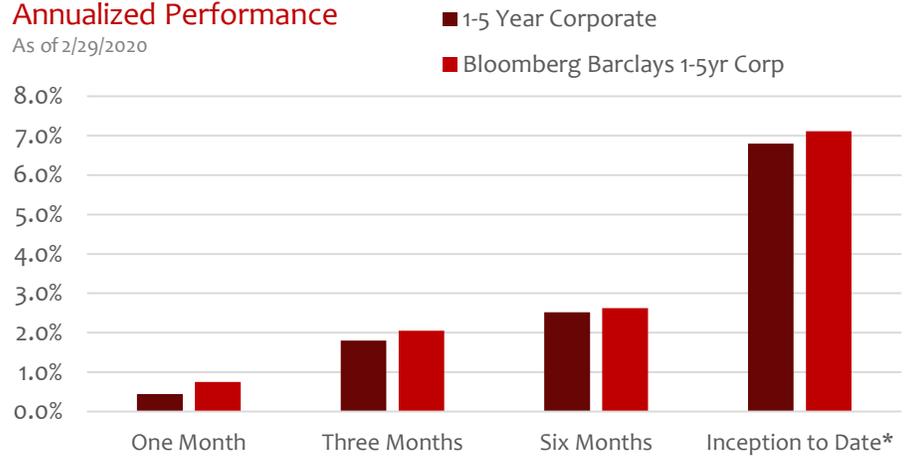
David M. Killian
Joseph D. Shacklock

Inception Date

2/28/2019

Annualized Performance

As of 2/29/2020

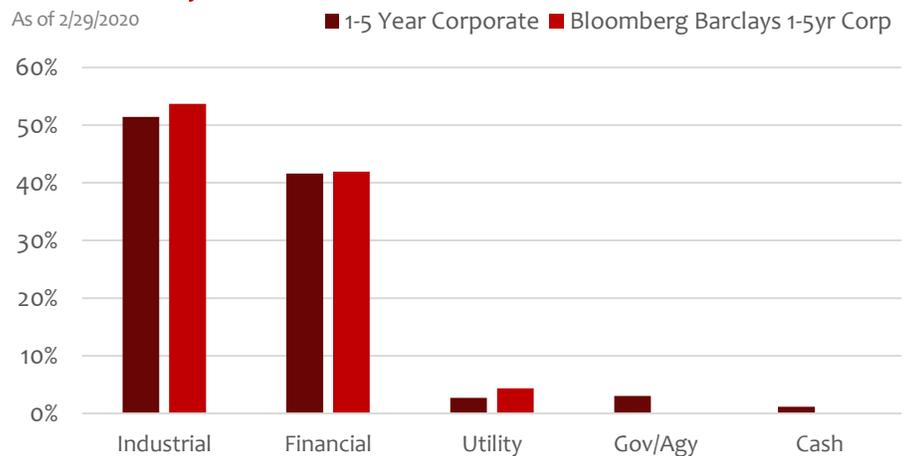


	One Month	Three Months	Six Months	Inception to Date*
1-5 Year Corporate	0.44%	1.80%	2.52%	6.80%
Bloomberg Barclays 1-5yr Corp	0.75%	2.05%	2.62%	7.11%

* Inception 2/28/2019

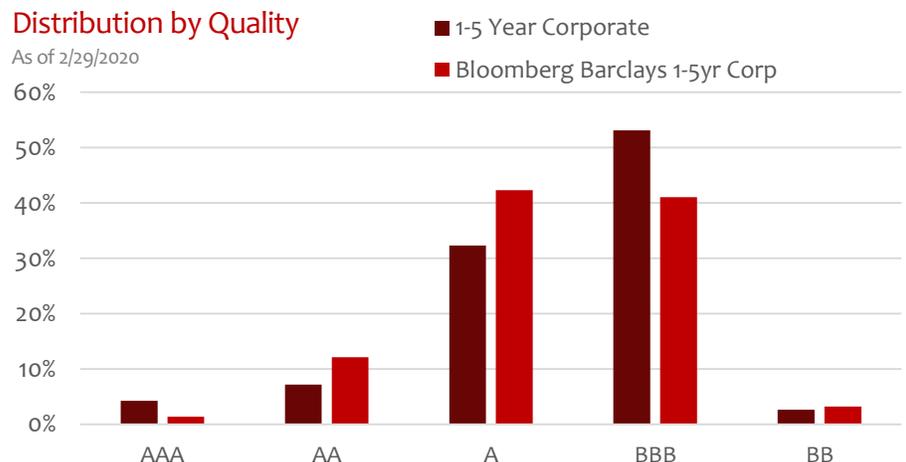
Distribution by Issuer

As of 2/29/2020



Distribution by Quality

As of 2/29/2020



Top 10 Holdings

As of 2/29/2020

US Treasury 1.50% - 2/15/30	2.12%
Ford Motor Credit Co 5.584% - 3/18/24	1.79%
Wells Fargo & Co 3.625% - 10/22/21	1.37%
HSBC Holdings PLC 3.95% - 5/18/24	1.36%
Bank of America Corp 2.625% - 4/19/21	1.34%
Goldman Sachs Inc 2.625% - 4/25/21	1.34%
Morgan Stanley 2.75% - 5/19/22	1.27%
General Motors Co 4.15% - 6/19/23	1.25%
American Express Co 3.70% - 11/5/21	1.21%
General Electric Co 2.70% - 10/9/22	1.19%

4Q 2019 Portfolio Commentary

All major equity indices finished 2019 at all-time record highs, driven largely by a “phase one” trade deal between the US and China. Assuming the deal is finalized on January 15th, this should mark a significant milestone on the road toward lessening tensions related to the tariff war that has been prevalent for nearly two years. With the 2020 presidential election on the horizon, it is unlikely that the White House will impose any meaningful changes to tariff rates this year. While trade related recession fears are fading, broader concerns still linger. The current expansion is the longest in US history, which raises the question of how much longer it will last. Not an unreasonable point as there are certainly some areas of concern. Declining interest rates in 2019 were a contributor to a large price/earnings expansion. With this priced into the market at this point, additional equity gains will likely depend on higher corporate earnings. More recently, December manufacturing sector reports were at the lowest levels in a decade—likely a lingering product of trade concerns. On the other side of the coin, consumer confidence continues to be bolstered by generationally low unemployment, elevated stock prices, and accommodative Fed policy. This gives us little reason to think that a meaningful economic downturn is likely to occur in the near term.

December 2018 was the last time we saw an increase in the Fed Funds rate. The July 2019 FOMC meeting marked an important shift in Fed policy with the first rate cut since the financial crisis. Framed as a “mid-cycle adjustment”, the move reflects meaningful uncertainty surrounding the geopolitical environment and its effects on the domestic economy. Additional cuts at both the September and October meetings give us the current target range of 1.50% to 1.75%, 75 basis points lower than this time a year ago. All parts of the yield curve have responded to this policy shift. The largest move was in the 1-year Treasury bill, ending 2019 at a yield of 1.57%, 104 basis points lower year over year. The 10-year ended 2019 at 1.92%, 76 basis points lower, while the 30-year had the smallest move, ending the year at 2.39%, 62 basis points lower than the level a year ago. While the 3-month/10-year and 2-year/10-year parts of the curve saw a period of brief inversions in 2019, the yield curve has since normalized and has a modest positive slope. Given the Fed’s commitment to achieve 2% inflation coupled with an accommodative policy stance surrounding ongoing geopolitical risk, we expect no meaningful increase in rates in 2020.

In the current environment of tight credit spreads and stretched valuations, we believe portfolio performance will be driven largely by curve positioning and security selection. In light of historically tight spreads, we continue to have an upward quality bias with limited BB exposure. At this time the portfolio is tactically positioned without an allocation to government securities, while the focus of new investments is on opportunistic exposure to select investment grade corporate issuers providing attractive relative yields. We remain vigilant in identifying the next opportunity to add high yield exposure.



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Birch Run Investments, an independent SEC registered investment advisor, claims compliance with the Global Investment Performance Standards (GIPS). Birch Run Investments has been independently verified for the period ending September 30, 2019.

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.