

FORMER STERLING ADVISORS SENIOR FIXED-INCOME PM LAUNCHES BIRCH RUN

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David Killian, former senior portfolio manager for Sterling Advisors' core and intermediate fixed-income strategies, departed the firm last year to launch Birch Run Investments.

Killian serves as president and has 100% ownership of Birch Run, which is based in Exton, Pa. and targets relationships with institutional and high-net-worth investors.

"My motivation to start Birch Run was driven by my belief that a boutique investment management firm is much better suited to deliver value for its clients. This is especially true in the core fixed-income space," Killian said. "Following the 2008 financial crisis, liquidity in the fixed-income market has declined significantly, which I believe has led to a competitive edge for smaller firms. Given relatively smaller position sizes, boutique firms can trade in and out of bonds much more quickly when compared to larger firms who need to be very mindful of acquiring too large a position in any given issue. This ability to establish and subsequently exit positions without negatively impacting the securities price is a real tactical advantage for smaller firms in my view."

The firm is currently offering traditional core fixed-income, intermediate fixed-income and short-term fixed-income strategies, Killian said.

"We expect to differentiate our firm from peers by thinking outside the box and searching for different ways we can deliver real value to our clients."

"In each of those three, the key tenet is an opportunistic approach to investing focused on uncovering value in the core bond arena where the market may be mispricing risk," he said. "We tend not to look for the standard widely-held investment grade credits, but instead we look for the out-of-favor name or sectors, and once identified, delve deeper in the research process to understand why a certain sector of the market is priced so out of line compared to its peer group."

Currently, the firm has approximately \$104 million in assets under management from external investors, Killian said. While there are teams in place for compliance and operations, Killian is currently in conversations with other professionals that would augment the staff in portfolio management and research, he said.

"We expect to differentiate our firm from peers by thinking outside the box and searching for different ways we can deliver real value to our clients. One significant component to generating the highest rate of net returns for your clients is to have a keen eye on fees. Given the historically low interest rate environment, high-net worth and institutional investors would be equally served. We will strive to provide individual investors an institutional quality product with institutional-level fees," Killian said.

Killian said the firm will also be creative when launching new products.

"This could include a socially responsible product or any other type of investment strategy that may not be well provided for as of now in the fixed-income marketplace," he said.

As for the name of the new firm, Killian attributes it to a personal affiliation with Birchrunville, a small village located close to Chester County, Pennsylvania. "We like the name because it draws on the great history of Chester County and especially West Vincent Township, where we live," he said.

Birchrunville is the only historic village in the township and resides along a small, highly-dependable stream called Birch Run, according to a history of the village.