

INTERMEDIATE FIXED INCOME

March 2020

Holding-Based Statistics

	Intermediate Fixed Income	Bloomberg Barclays G/C Interm
Yield to Maturity	1.78%	1.33%
Effective Duration	4.08 years	3.89 years
Average Quality	AA-	AA

Strategy Statistics

Number of Bonds	93
Annualized Turnover	20% est
Firm Assets	217.18
Product Assets	88.76

Investment Philosophy

The Intermediate 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

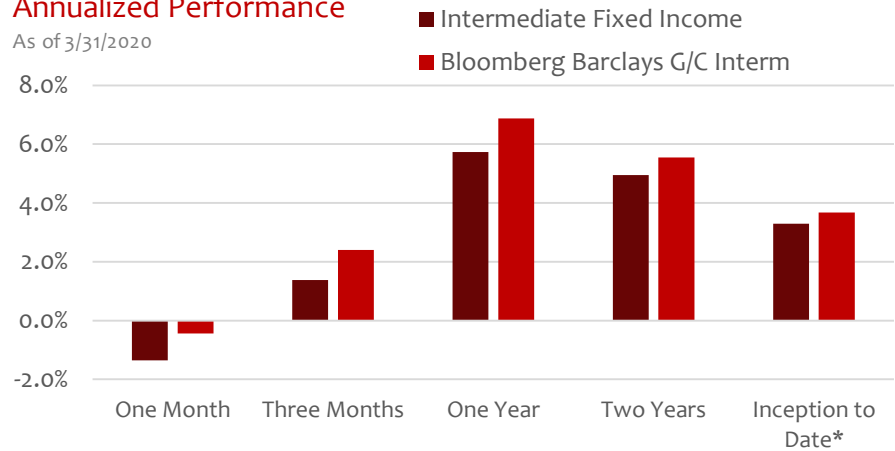
David M. Killian
Joseph D. Shacklock

Inception Date

4/30/2017

Annualized Performance

As of 3/31/2020

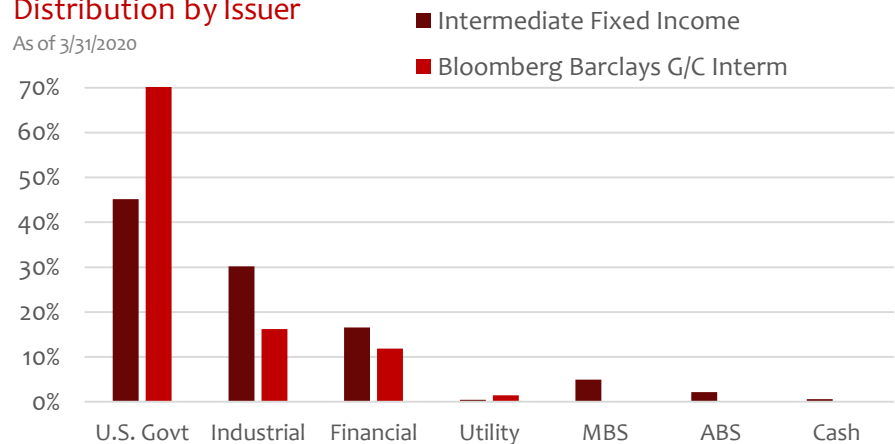


	One Month	Three Months	One Year	Two Years	Inception to Date*
Intermediate Fixed Income	-1.35%	1.38%	5.73%	4.95%	3.30%
Bloomberg Barclays G/C Intermediate	-0.44%	2.40%	6.88%	5.55%	3.68%

*Inception 4/30/2017

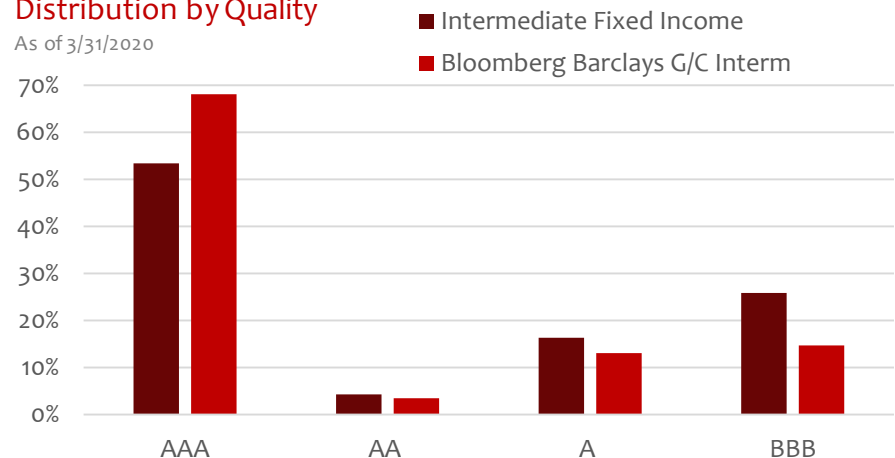
Distribution by Issuer

As of 3/31/2020



Distribution by Quality

As of 3/31/2020



Top 10 Holdings

As of 3/31/2020

US Treasury 2.25% - 11/15/24	6.53%
US Treasury 1.625% - 11/15/22	5.72%
US Treasury 2.125% - 8/15/21	4.50%
US Treasury 1.875% - 4/30/22	4.32%
US Treasury 2.00% - 12/31/21	4.31%
US Treasury 2.00% - 2/15/22	3.61%
US Treasury 2.875% - 11/30/23	3.53%
US Treasury 2.125% - 5/15/25	3.41%
US Treasury 2.25% - 11/15/27	3.23%
US Treasury 2.50% - 3/31/23	2.90%

1Q2020 Portfolio Commentary

With trade tensions between the US and China largely behind us and uncertainties surrounding the 2020 presidential election temporarily muted, the market has been focused almost exclusively on the widespread global economic impact of the coronavirus. Major equity indices reached all-time highs in February before performance took a sharp turn to end the quarter in deeply negative territory. Though all sectors felt the impact, certain areas of the market have been more impacted than others. Retailers have been under the most stress. A steep decline in discretionary spending has been the result of most states having issued some form of a “stay at home” order coupled with many non-essential retailers closing store locations. Energy has been another sector where underperformance has been meaningful. Demand destruction stemming from the coronavirus pandemic along with increasing supply has pushed the price of oil to multi-decade lows. On the other side of the aisle are the technology, health care, and consumer staples sectors, all of which have managed to outperform the broad market during the quarter. Estimates indicate that the infection curve will quickly begin to flatten in the coming weeks and months due in large part to the majority of citizens maintaining compliance with social distancing guidelines. Though the longer term impact on corporate earnings is largely unknown at this point, the flattening of the infection curve coupled with the swift accommodative action we have seen from the Federal Reserve has created market sentiment that signals a swift recovery.

In response to the rapidly evolving economic impact of the coronavirus, the Fed took unprecedented action at two emergency FOMC meetings in March that resulted in a 150 basis point rate reduction which gives us a current target range of 0.00% to 0.25%. In addition to the rate cuts, recent Fed action also includes the implementation of a variety of stimulus programs designed to inject liquidity into the market. Notably, the Fed has restarted unlimited asset purchase programs, allowing for the purchase of securities including Treasuries, various mortgage and asset-backed securities, and corporate bonds. Banking sector reserve requirements have also been reduced. The Fed’s actions are of course in addition to the multi-trillion dollar congressional stimulus package designed to provide checks directly to families, expanded unemployment benefits, financial assistance to small businesses, and loans for distressed companies. The short end of the yield curve saw a period of inversion during the quarter, however the quarter ended with the curve showing a modest positive slope. The 1-year Treasury ended the quarter at 0.16%, 141 basis points lower than the level at the end of 2019. The 10-year ended 1Q20 at 0.65%, 127 basis points lower, while the 30-year had the smallest relative move, ending the quarter at 1.31%, 108 basis points lower. Though the market volatility in the quarter has created a massive flight to safety that has pushed Treasury yields to historic lows, we view the attractive yields currently available in high quality corporate bonds as a tremendous total return opportunity that will be a driver of performance through the remainder of the year.

In light of heightened uncertainty in the current environment, we have opportunistically captured incremental yield by reducing Treasury exposure while focusing on new purchases in short to intermediate duration corporate issues of the highest quality. Corporate issuers taking advantage of record low rates have been bringing to market new short maturity bonds at yields that, only a short time ago, could only be found in issues with maturities exceeding 10 years. We have been active in this new issue market, and while avoiding areas of the market that have been most impacted by the coronavirus pandemic, we intend to remain opportunistic in taking advantage of attractive valuations in corporate bonds. Recent indicators suggest that the bulk of the risk is now behind us. We share this outlook and remain optimistic on the opportunities ahead.



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