

TAX EXEMPT TOTAL RETURN

April 2020

Holding-Based Statistics

	Tax Exempt Total Return	Bloomberg Barclays Muni Bond
Yield to Maturity	3.03%	3.01%
Effective Duration	6.34 years	4.91 years
Average Credit Quality	A	AA-

Strategy Statistics

Number of Bonds	214
Annualized Turnover	20% est
Firm Assets	222.34
Product Assets	19.58

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

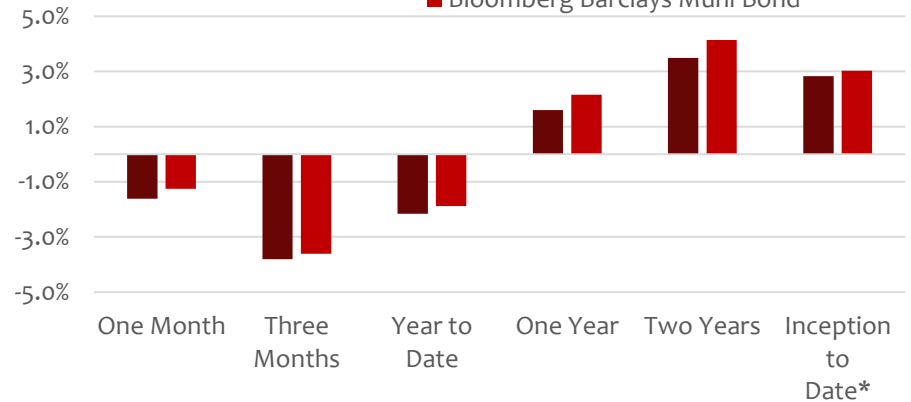
David M. Killian
Joseph D. Shacklock

Inception Date

6/30/2017

Annualized Performance

As of 4/30/2020

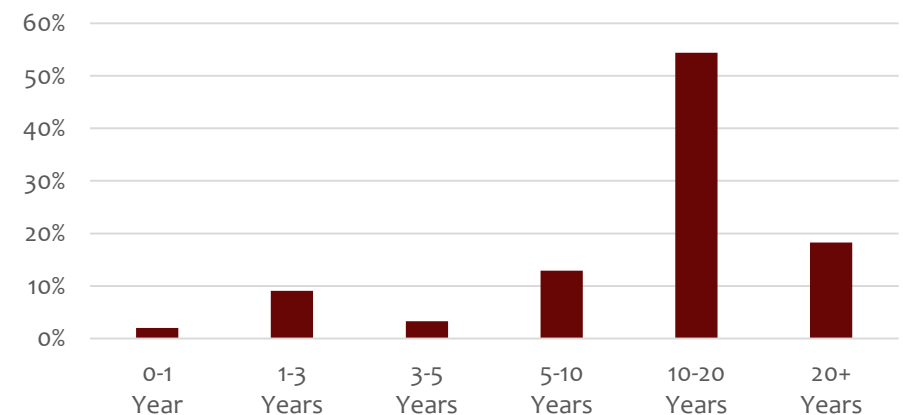


	One Month	Three Months	Year to Date	One Year	Two Years	Inception to Date*
Tax Exempt Total Return	-1.62%	-3.81%	-2.16%	1.60%	3.49%	2.83%
Bloomberg Barclays Muni Bond	-1.26%	-3.61%	-1.88%	2.16%	4.14%	3.03%

* Inception 6/30/2017

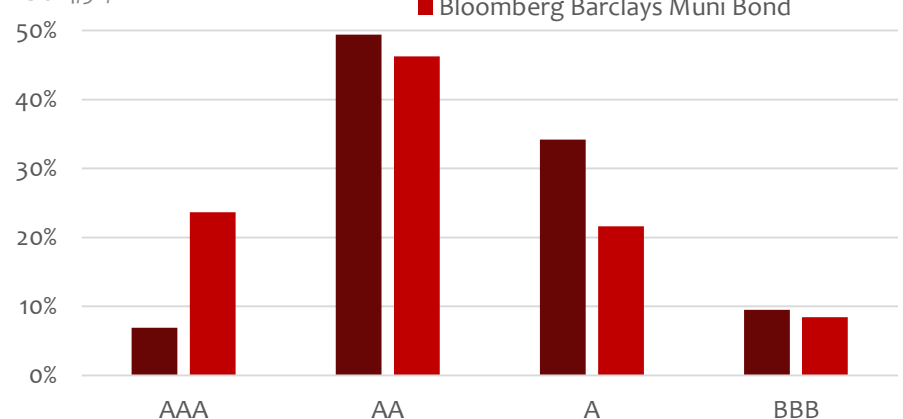
Maturity Distribution

As of 4/30/2020



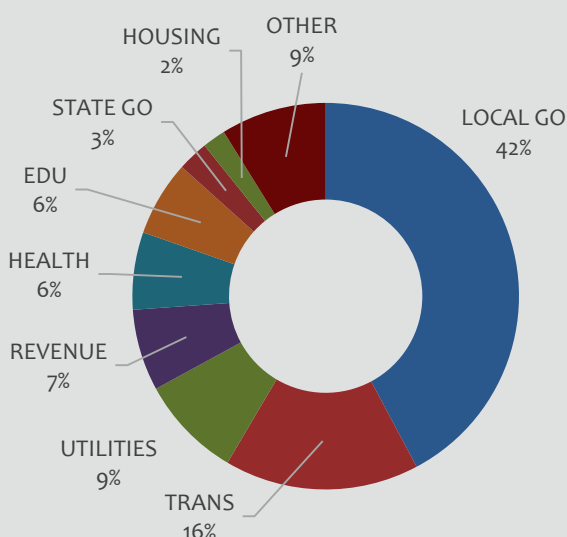
Distribution by Quality

As of 4/30/2020



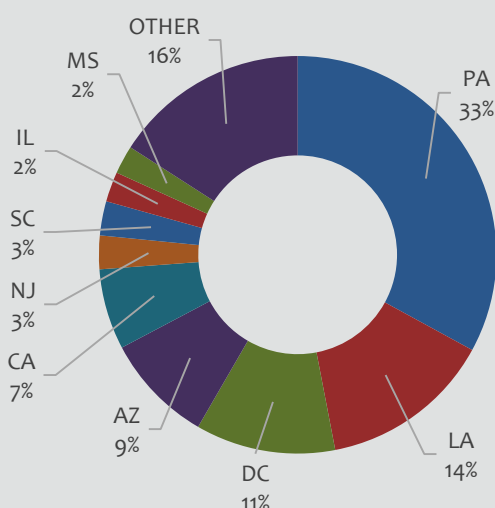
Sector Distribution

As of 4/30/2020



State Distribution

As of 4/30/2020



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1Q 2020 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.

The municipal market has also felt the effects of the recent volatility. Similar to the behavior of corporate bonds during the quarter, municipal bond valuations were also under tremendous strain. The flight to safety into US Treasury securities pressured all other fixed income asset classes, including high quality municipal bonds. Conditions have since improved, and our focus has been on taking advantage of opportunities in short to intermediate duration issues of the highest quality. Portfolio positioning is currently biased toward general obligation bonds backed by the unlimited tax authority of the issuer. Recent trading activity in the municipal market has continued to improve throughout the month of April, suggesting that the bulk of the risk is now behind us. We believe opportunities still remain in high quality municipal bonds, providing for favorable total return opportunities through the remainder of the year.

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