

SHORT TERM FIXED INCOME PLUS

July 2020

Holding-Based Statistics

	Short Term Fixed Income Plus	Bloomberg Barclays 1-5yr Gov/Credit
Yield to Maturity	1.68%	0.41%
Effective Duration	2.96 years	2.68 years
Average Credit Quality	BBB+	AA

Strategy Statistics

Number of Bonds	181
Annualized Turnover	20% est
Firm Assets	235.48
Product Assets	47.72

Investment Philosophy

The Short Term Fixed Income Plus 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

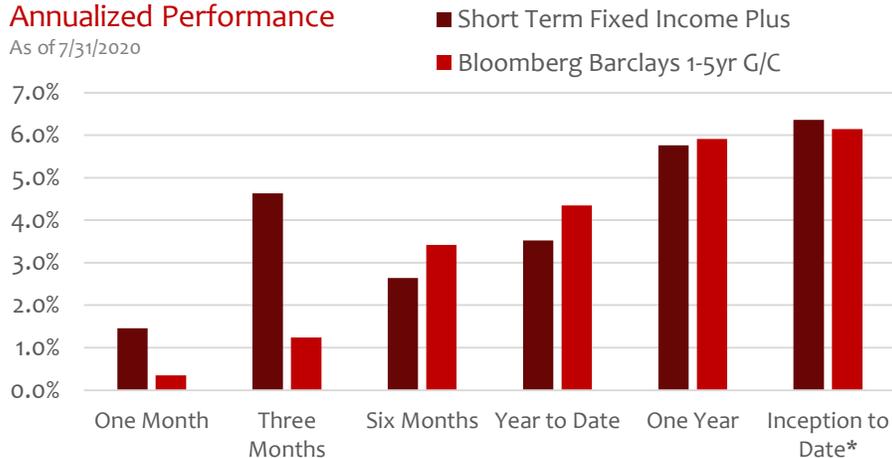
David M. Killian
Joseph D. Shacklock

Inception Date

2/28/2019

Annualized Performance

As of 7/31/2020

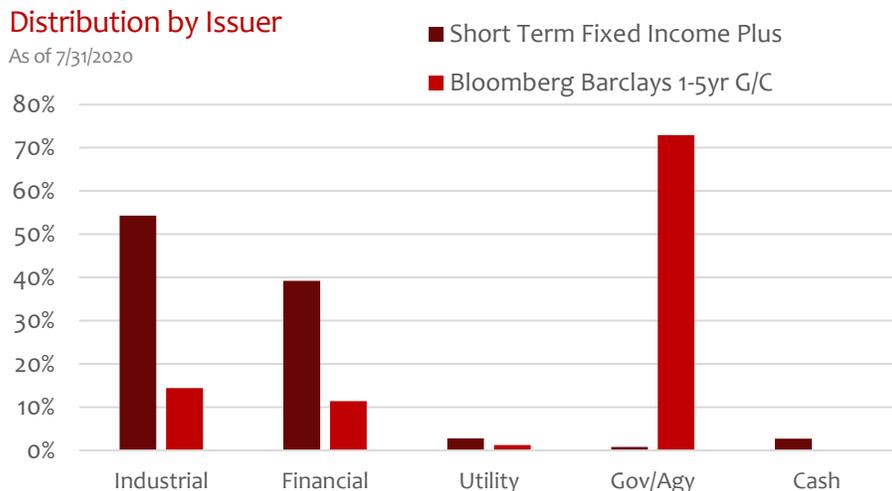


	One Month	Three Months	Six Months	Year to Date	One Year	Inception to Date*
ST Fixed Income Plus	1.46%	4.63%	2.64%	3.52%	5.76%	6.36%
Bloomberg Barclays 1-5yr Gov/Credit	0.35%	1.24%	3.42%	4.35%	5.91%	6.14%

* Inception 2/28/2019

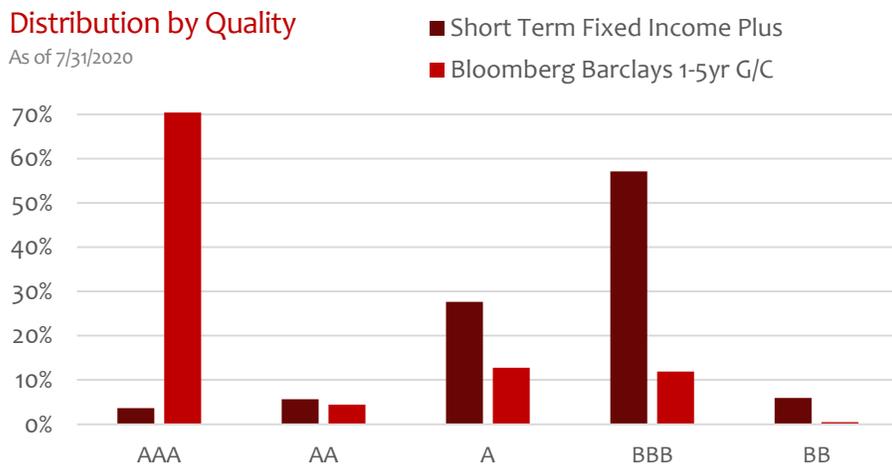
Distribution by Issuer

As of 7/31/2020



Distribution by Quality

As of 7/31/2020



Top 10 Holdings

As of 7/31/2020

Ford Motor Credit Co 5.113% - 5/3/29	1.45%
Morgan Stanley 2.75% - 5/19/22	1.23%
American Express Co 3.70% - 11/5/21	1.16%
Goldman Sachs Inc 3.50% - 4/1/25	1.16%
Bank of America Corp 4.20% - 8/26/24	1.13%
Marvell Technology 4.20% - 6/22/23	1.12%
Plains All American LP 4.65% - 10/15/25	1.11%
Owl Rock Capital Corp 4.00% - 3/30/25	1.09%
General Motors Co 4.15% - 6/19/23	1.05%
DowDupont Inc 4.205% - 11/15/23	1.04%

2Q 2020 Portfolio Commentary

Following 2019, a year that had posted a 31.49% total return on the S&P 500 index, 2020 began with enthusiasm. At the start of the year, the novel coronavirus, or Covid-19, was a headline from the other side of the world that was of little concern to the United States. Equity markets began the year with continued positive performance, with the S&P gaining 5.08% and reaching an all-time high in mid-February. As we're all very aware, Covid-19 reached the United States and very quickly became much more than a headline of little concern. From the peak in February to the trough in March, the S&P fell -33.79% before recovering slightly and ending the first quarter down -19.60%. It had been 100 years since the United States had faced a pandemic of such proportion. State mandated "stay at home" or lockdown restrictions froze nearly every corner of the economy and sent the unemployment rate to a generational high of 14.7% with over 23 million Americans unable to work. Lockdown measures and largescale compliance with social distancing guidelines have been effective, and while the US is still far from being completely clear of the Covid-19 pandemic, market activity during the second quarter suggests that a recovery is on the horizon. Fast and aggressive action including stimulus packages from the Federal Reserve and Congress have propelled recovery and effectively buoyed the market. Equity markets saw a sharp reversal in the second quarter, erasing the majority of the losses from the prior three months with strong gains from all major S&P sectors—posting the best quarterly return for stocks in over 20 years (+20.54% total return) and leaving equity markets with only a modest negative -3.08% total return on a year to date basis. Similar to equity performance, economic data has also begun to rebound (albeit not at the same pace) as the new coronavirus case curve has begun to flatten.

Though there are still millions of Americans out of work, employment figures have consistently surpassed expectations as states throughout the country have begun to ease lockdown restrictions and reopen. However, a sharp rise in new cases in the south and southwest regions has caused many states to halt or reverse reopening measures. As companies report earnings expectations for this year and beyond, assumptions related to the end of the pandemic, a possible resurgence in the fall, and the timing of lost earnings recovery are commonplace—making it difficult to forecast future market performance. Though the outlook for the near future is unclear at this point, recent commentary from Treasury Secretary Mnuchin and Fed Chairman Powell indicates that they will continue to do whatever it takes to support the economy and financial markets. With this support from policy makers, new case statistics and developments around a therapy or vaccine are the variables that will dictate the timing of a full recovery and return to normal activity.

Consistent with other areas of the market, US Treasury yields in the second quarter were indicative of a modest "risk-on" prospective, reversing some of the flight to safety activity in the first quarter that had pushed yields to historic lows. At the short end of the yield curve, the 3-month Treasury bill ended the quarter at 0.12%, 6 basis points higher than the end of 1Q. Similarly on the long end, the 30-year Treasury ended 2Q at 1.41%, 9 basis points higher. The 5 and 10 year, or "belly" section of the curve saw slight downward pressure with the 5-year Treasury ending the quarter at 0.28%, 9 basis points lower, and the 10-year Treasury at 0.65%, 1 basis point lower. With high quality corporate bond spreads having largely tightened to their pre-pandemic levels, we believe security selection will be a major driver of performance for the duration of the pandemic. Our view is that markets will be range-bound and volatile while being largely dependent on economic data as state reopenings stop and start while the world awaits a vaccine.

Following meaningful underperformance of corporate bonds in the first quarter, as the second quarter began we were quick to react by taking advantage of yields which had increased dramatically. During the quarter high quality purchases were made at valuations that have only been surpassed during the 2008 financial crisis. Relative performance in the quarter benefitted from the combined effect of the opportunistic increase in corporate bond exposure, and in particular the purchases of attractively priced new issues. Portfolio gains were further supported by the aggressive actions taken by the Federal Reserve Board to directly support both the investment grade and high yield short term corporate bond market via open market purchases.

While gains achieved in corporate bonds for the quarter were significant, we believe the outlook for continued outperformance for the sector remains. Valuations, while meaningfully compressed from early in the quarter, still approximate recessionary levels, particularly for cyclical issuers most vulnerable to Covid-19 effects. As we enter the third quarter, we intend to be equally as opportunistic as we were in the previous quarter in realizing recent gains where appropriate, and to position the portfolio for what many expect will be a volatile second half 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@birchrunitest.com, or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.



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