

TAX EXEMPT TOTAL RETURN

July 2020

Morningstar Rating™



Holding-Based Statistics

	Tax Exempt Total Return	Bloomberg Barclays Muni Bond
Yield to Maturity	2.52%	2.35%
Effective Duration	5.98 years	4.76 years
Average Credit Quality	A	AA-

Strategy Statistics

Number of Bonds	204
Annualized Turnover	20% est
Firm Assets	235.48
Product Assets	20.77

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
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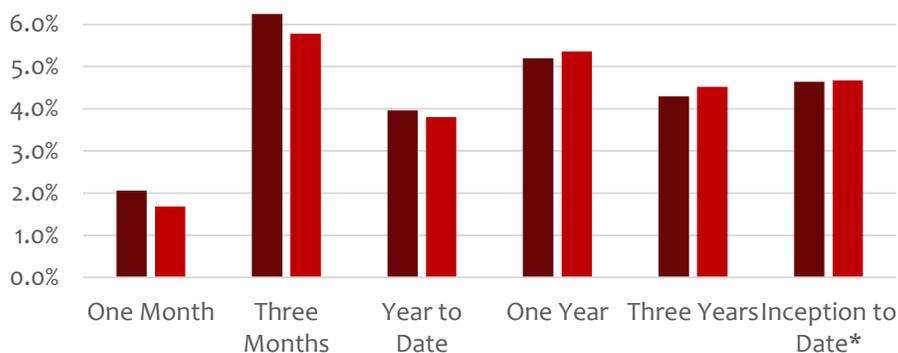
Inception Date

6/30/2017

Annualized Performance

As of 7/31/2020

■ Tax Exempt Total Return
■ Bloomberg Barclays Muni Bond

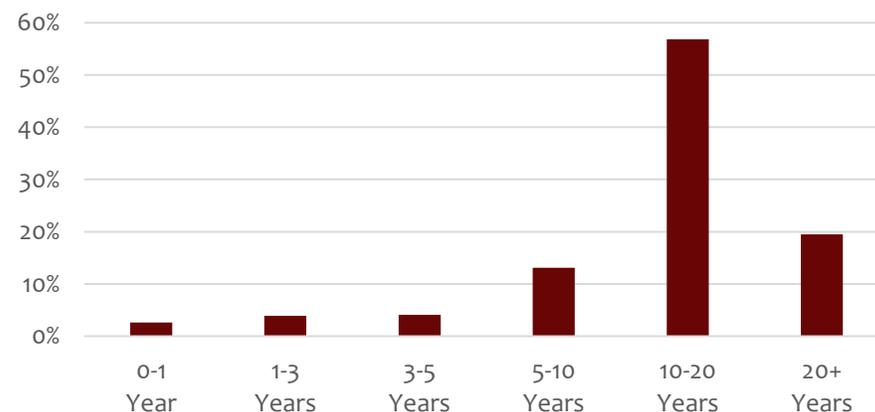


	One Month	Three Months	Year to Date	One Year	Three Years	Inception to Date*
Tax Exempt Total Return	2.06%	6.25%	3.96%	5.20%	4.29%	4.64%
Bloomberg Barclays Muni Bond	1.68%	5.78%	3.80%	5.36%	4.52%	4.67%

* Inception 6/30/2017

Maturity Distribution

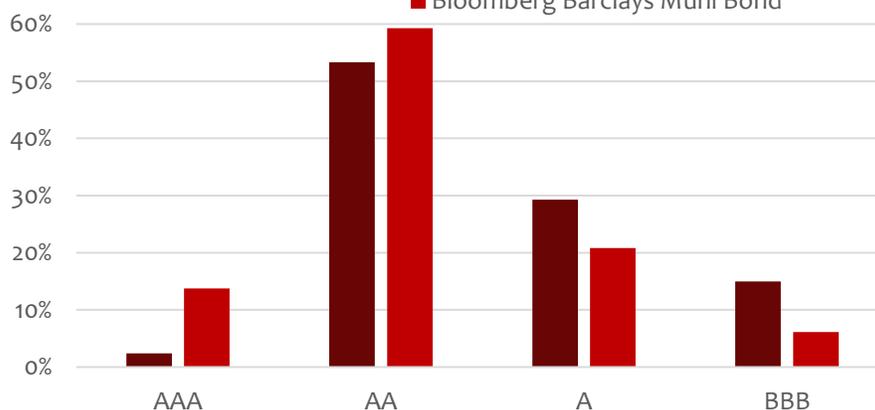
As of 7/31/2020



Distribution by Quality

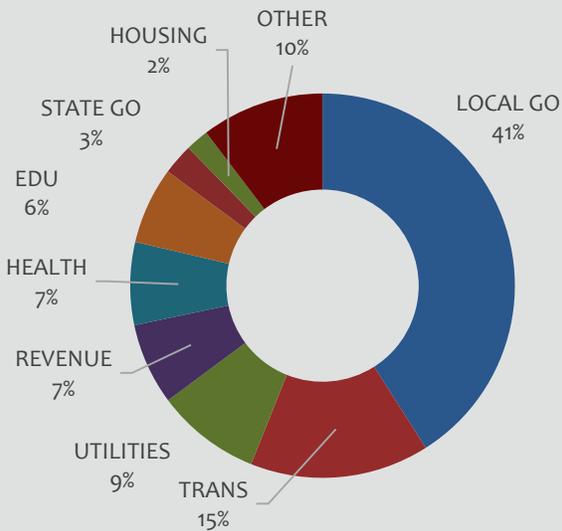
As of 7/31/2020

■ Tax Exempt Total Return
■ Bloomberg Barclays Muni Bond



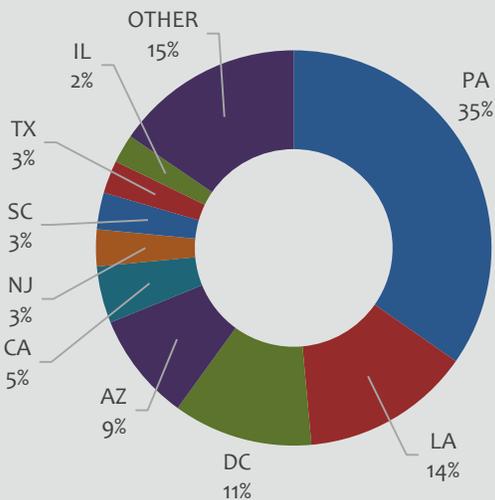
Sector Distribution

As of 7/31/2020



State Distribution

As of 7/31/2020



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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 a decline in the first quarter, municipal bonds rebounded and delivered strong results during the second quarter, fully recovering from first quarter losses and posting gains on a year to date basis. Strained liquidity conditions seen during the first quarter have continued to improve following aggressive policy actions taken by the Federal Reserve. While US Treasury yields continue to move closer to the zero lower bound, municipal bond yields have held relatively unchanged and in many cases moved higher reflecting Covid-19 related concerns. The municipal bond market has not been immune to the economic impacts of Covid-19. State and local governments, which are mostly required to maintain balanced budgets, need to manage the impacts of reduced and delayed tax revenues backing their issued general obligation bonds. Revenue backed bonds face similar challenges, including issuers reliant upon travel and leisure activities as well as utilities where extended payment terms have reduced near term revenues. In light of this heightened uncertainty, we remain very selective in new purchases and are focused only on the highest quality issuers and those sectors not impacted by Covid-19. We also continue to believe interest rates will stay contained for the foreseeable future and view intermediate maturity bonds as attractive.

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.