

### Holding-Based Statistics

	Intermediate Fixed Income	Bloomberg Barclays G/C Interm
Yield to Maturity	0.85%	0.66%
Effective Duration	3.88 years	4.01 years
Average Quality	AA-	AA

### Strategy Statistics

Number of Bonds	95
Annualized Turnover	20% est
Firm Assets	228.04
Product Assets	87.43

### 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

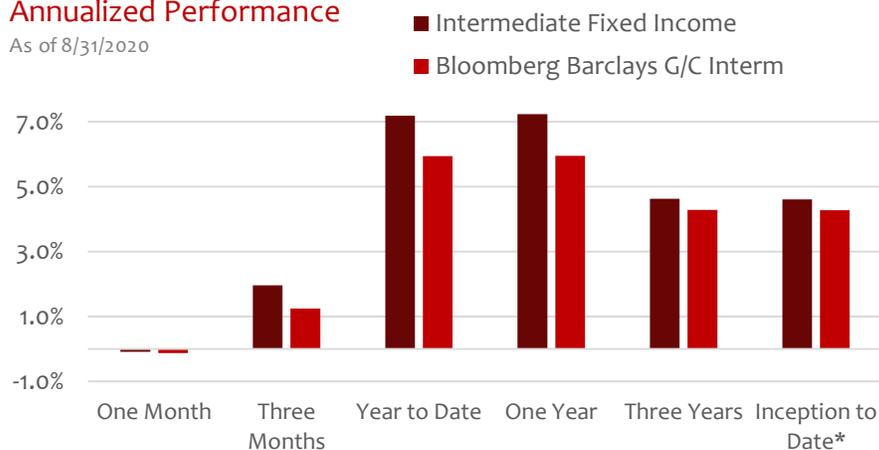
David M. Killian  
Joseph D. Shacklock

### Inception Date

4/30/2017

### Annualized Performance

As of 8/31/2020

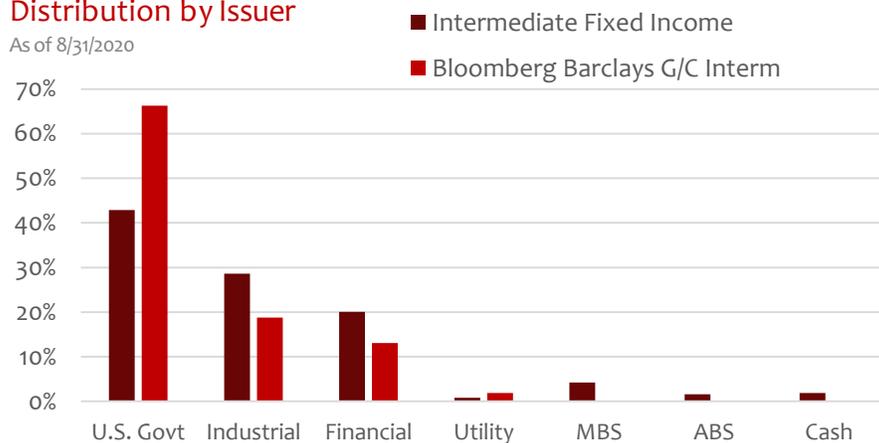


	One Month	Three Months	Year to Date	One Year	Three Years	Inception to Date*
Intermediate Fixed Income	-0.08%	1.96%	7.18%	7.23%	4.63%	4.61%
Bloomberg Barclays G/C Intermediate	-0.12%	1.25%	5.94%	5.95%	4.28%	4.27%

\*Inception 4/30/2017

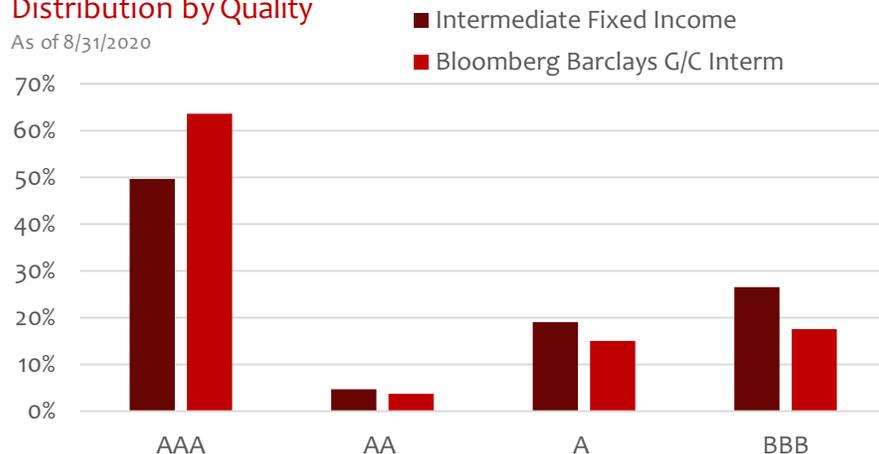
### Distribution by Issuer

As of 8/31/2020



### Distribution by Quality

As of 8/31/2020



## Top 10 Holdings

As of 8/31/2020

US Treasury 1.625% - 11/15/22	5.56%
US Treasury 2.25% - 11/15/24	4.94%
US Treasury 1.875% - 4/30/22	4.13%
US Treasury 2.00% - 12/31/21	4.12%
US Treasury 2.125% - 8/15/21	3.52%
US Treasury 2.00% - 2/15/22	3.40%
US Treasury 2.875% - 11/30/23	3.32%
US Treasury 2.125% - 5/15/25	3.22%
US Treasury 0.25% - 5/31/25	3.11%
US Treasury 2.50% - 3/31/23	2.69%

## 2Q2020 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.

Portfolio decisions made over the past year to decrease corporate bond exposure, and as a result increase portfolio credit quality, positioned us well as the pandemic unfolded. Sizeable exposure to US Treasury securities helped in offsetting steep declines in other areas of the fixed income market late in the first quarter. As the second quarter began we were quick to react by taking advantage of yields on investment grade corporate bonds that had increased dramatically. During the quarter 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 bonds, and in particular the purchases of attractively priced new issues. With US Treasury yields at historic lows and relatively flat across all maturities, we took action during the quarter to reposition portfolio yield curve exposure. We have further reduced the interest rate sensitivity of our US Treasury allocation and structured the portfolio to benefit, on a relative basis, from a steepening of the yield curve.

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@birchruninvest.com](mailto:info@birchruninvest.com), or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.



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