Birch Run Investments

Short Term Fixed Income Plus

October 2020

Holding-Based Statistics

	Short Term Fixed Income Plus	Bloomberg Barclays 1-5yr Gov/Credit
Yield to Maturity	2.00%	0.45%
Effective Duration	3.09 years	2.68 years
Average Credit Quality	BBB	AA

Strategy Statistics

Number of Bonds	176
Annualized Turnover	20% est
Firm Assets	241.66
Product Assets	48.41

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

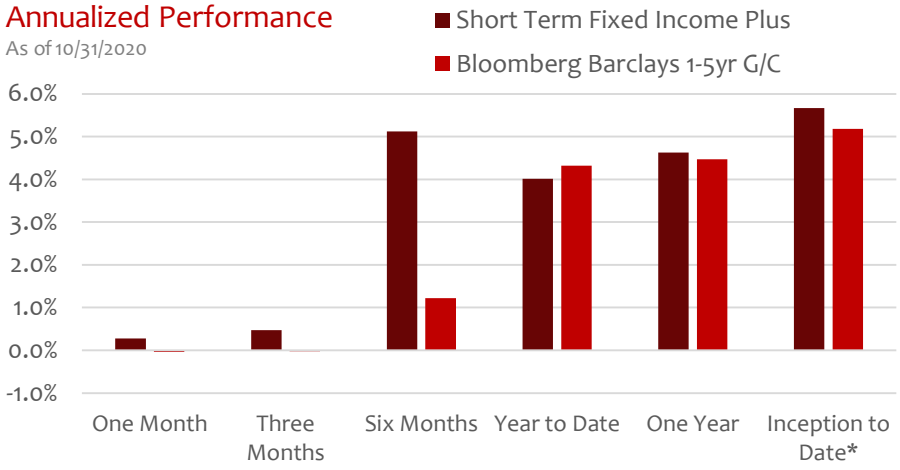
David M. Killian
Joseph D. Shacklock

Inception Date

2/28/2019

Annualized Performance

As of 10/31/2020

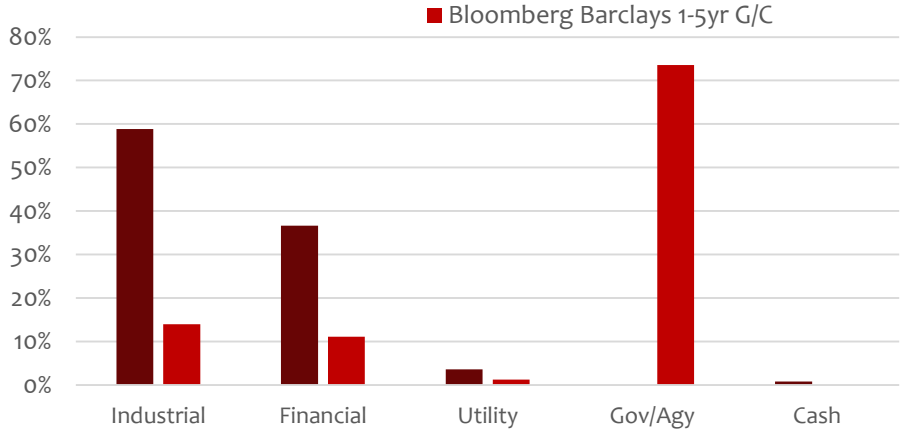


	One Month	Three Months	Six Months	Year to Date	One Year	Inception to Date*
ST Fixed Income Plus	0.28%	0.47%	5.12%	4.01%	4.63%	5.67%
Bloomberg Barclays 1-5yr Gov/Credit	-0.04%	-0.02%	1.22%	4.32%	4.47%	5.18%

* Inception 2/28/2019

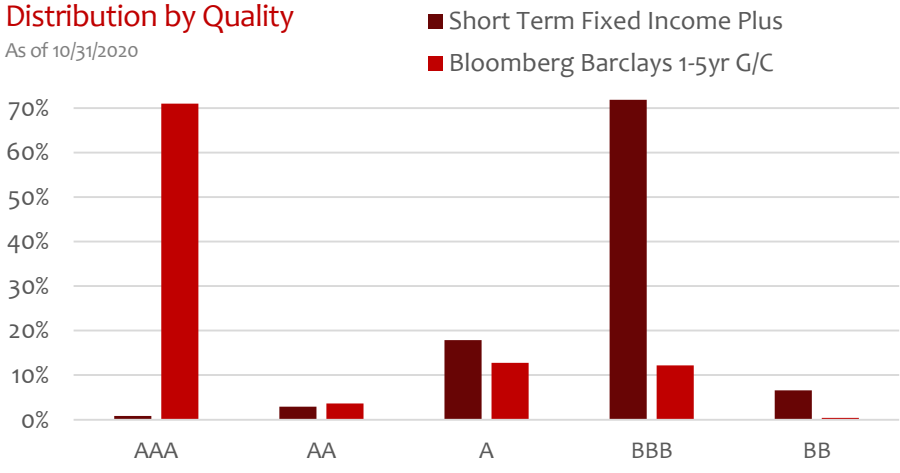
Distribution by Issuer

As of 10/31/2020



Distribution by Quality

As of 10/31/2020



Top 10 Holdings

As of 10/31/2020

Ford Motor Credit Co 5.113% - 5/3/29	1.39%
Boeing Co 4.875% - 5/1/25	1.31%
Seagate Technology 4.875% - 3/1/24	1.26%
Barclays PLC 4.375% - 9/11/24	1.15%
Goldman Sachs Inc 3.50% - 4/1/25	1.14%
Kraft Heinz Foods Co 3.00% - 6/1/26	1.14%
Bank of America Corp 4.183% - 11/25/27	1.13%
Bank of America Corp 4.20% - 8/26/24	1.13%
Owl Rock Capital Corp 4.00% - 3/30/25	1.13%
Marvell Technology 4.20% - 6/22/23	1.11%

3Q 2020 Portfolio Commentary

Consistent with the first two quarters of 2020, the third quarter provided its equal share of volatility and uncertainty around the timing and pace of an economic recovery—but a positive economic outlook is coming into focus. Following the devastating effects of the economic shutdown to combat the coronavirus pandemic, the global economy is now showing evidence of a sharp "V shaped" recovery as larger portions of the economy continue to reopen. The $2.2 trillion Coronavirus Aid, Relief and Economy Security (CARES) Act and policy response by the Federal Reserve have so far proven effective in providing the necessary support to households and businesses both small and large. Economic indicators released during the quarter support this view and include a surge in housing activity, better than expected consumer spending, and very strong manufacturing data. Taken as a whole, this information suggests a strengthening industrial expansion. Equity markets, as measured by the S&P 500, responded as expected to the better than feared economic outlook and posted gains of 8.9% for the quarter, bringing year to date results of 5.6% back into positive territory.

Entering the fourth quarter, investor focus now remains firmly centered on the likely outcome of the Presidential election and the prospects for additional fiscal stimulus. National polling data indicates a strong lead for former Vice President Joe Biden, which has reduced investor concerns of a contested election and has allowed a broad "risk on" sentiment to reemerge. Ongoing debate in Washington has not yielded any progress in securing a second multi-trillion dollar stimulus package prior to the election. Most investors, however, are unfazed by what would appear to be a negative development as most expect the passage of a bill early in the new year. A second round of fiscal support would further accelerate the ongoing economic recovery and limit downside potential in the months ahead.

The September FOMC meeting marked the fourth in a row where the committee left the Fed Funds rate unchanged at 0.00-0.25%. Notably, at its most recent meeting, the Fed indicated that rates will remain at this low level until inflation exceeds the committee's 2% objective on a sustained basis. This new policy framework in which the Fed has stated it will allow inflation to run above its long term objective is an important development and, in our view, will have an impact on the relative performance of longer maturity bonds which are most sensitive to inflation risks. Evidence of this can already be seen in the changing shape of the U.S. Treasury yield curve, which has begun to steepen after many years of flattening. The 6-month Treasury bill yield fell 6 basis points to end the quarter at 0.10%. The 2-year yield also fell slightly, dropping 2 basis points to a 0.13%. The 10-year yield reached an intra-quarter high of 0.75% before ending at 0.68%, 3 basis points higher for the quarter. Similarly, the 30-year yield rose 4 basis points and finished the quarter at 1.45%.

Relative performance during the quarter benefitted from prior period tactical investments made within the more economically sensitive consumer discretionary and industrial sectors. Although the gains achieved in many of the companies within these industry groups were significant, we believe the outlook for continued outperformance remains. As we approach year end, we will continue to be opportunistic in realizing gains in securities where appropriate and reinvesting in those areas of the market best positioned to outperform in the next stage of this ongoing economic recovery.

Birch Run Investments

211 Welsh Pool Rd, Suite 234
Exton, PA 19341

610-321-3453
birchruninvestments.com

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. The performance data quoted represents gross returns. The gross returns were calculated on a time weighted basis, include all dividends and interest, accrual income, realized and unrealized gains or losses, and are net of all brokerage commissions, execution costs, and do not give effect to investment advisory fees, which would reduce such returns. To receive a complete list and description of Birch Run Investments composites and/or a presentation that adheres to the GIPS standards, please contact David Killian by phone 610-321-3453, email info@birchruninvest.com, or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.