

TAX EXEMPT TOTAL RETURN

October 2021

Morningstar Rating™



Holding-Based Statistics

	Tax Exempt Total Return	Bloomberg Barclays Muni Bond
Yield to Maturity	2.38%	2.38%
Effective Duration	5.51 years	4.74 years
Average Credit Quality	A	AA-

Strategy Statistics

Number of Bonds	328
Trailing 12 Month Turnover	13%
Firm Assets	264.22
Product Assets	25.32

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

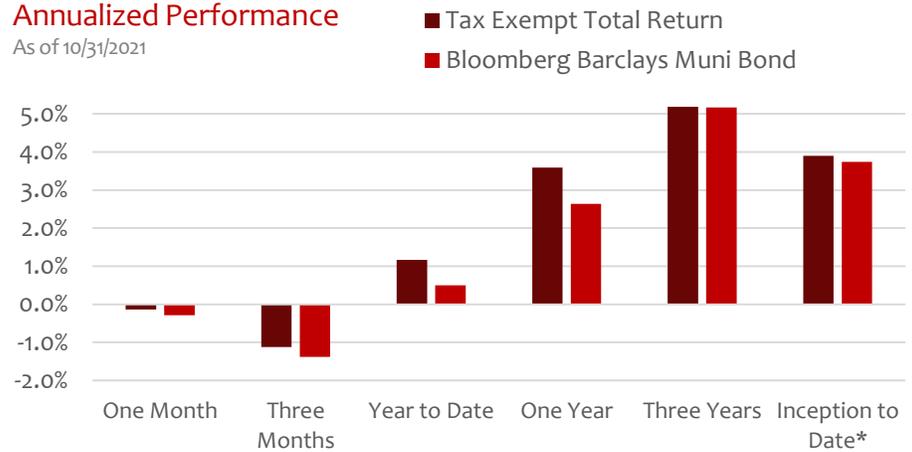
David M. Killian
Joseph D. Shacklock

Inception Date

6/30/2017

Annualized Performance

As of 10/31/2021

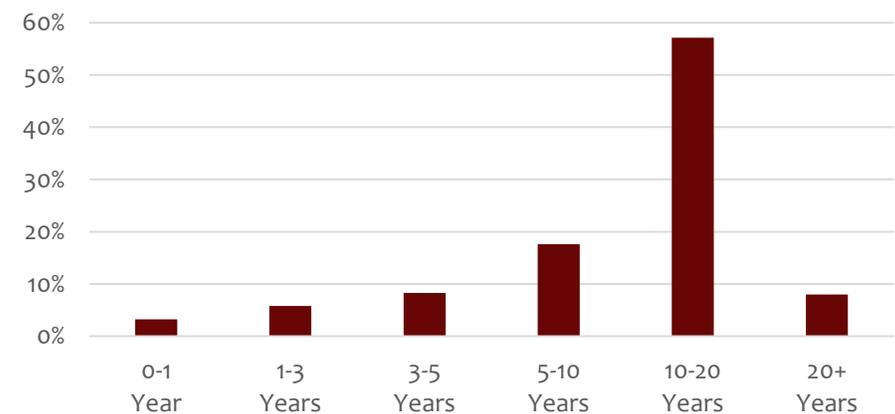


	One Month	Three Months	Year to Date	One Year	Three Years	Inception to Date*
Tax Exempt Total Return	-0.14%	-1.12%	1.17%	3.59%	5.19%	3.90%
Bloomberg Barclays Muni Bond	-0.29%	-1.38%	0.50%	2.64%	5.17%	3.74%

* Inception 6/30/2017

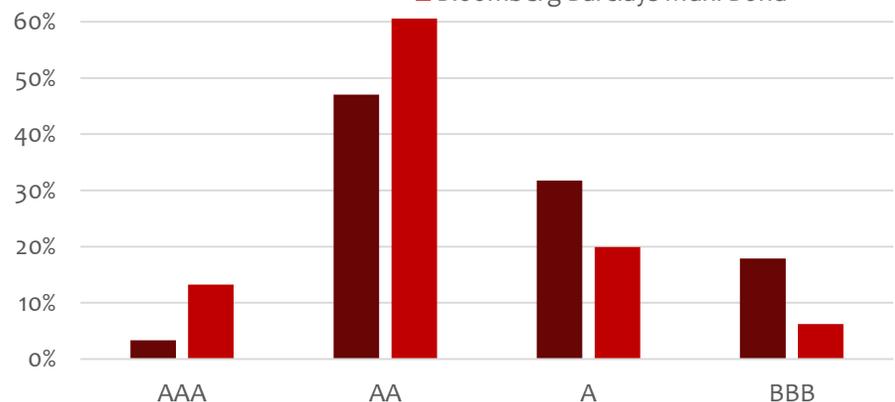
Maturity Distribution

As of 10/31/2021



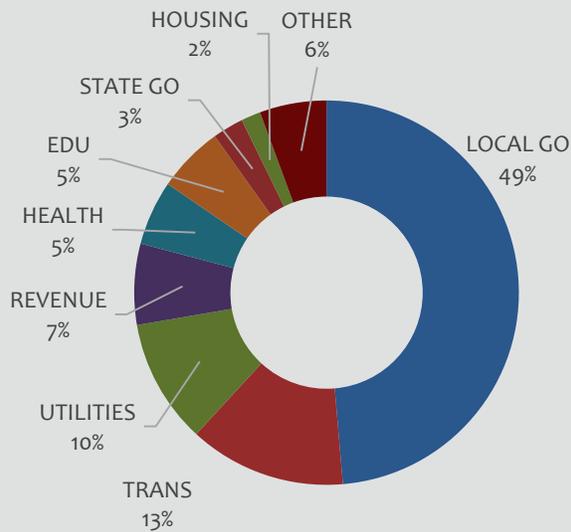
Distribution by Quality

As of 10/31/2021



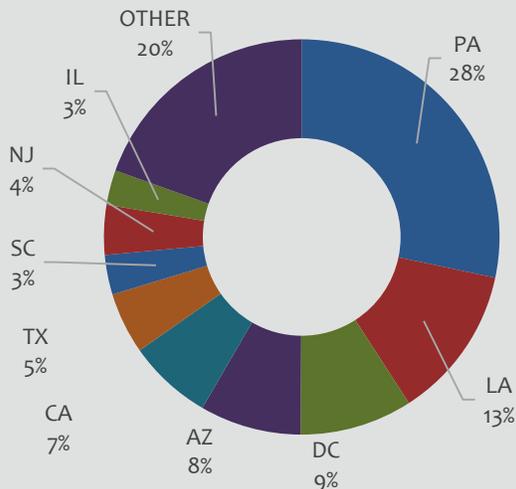
Sector Distribution

As of 10/31/2021



State Distribution

As of 10/31/2021



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3Q 2021 Portfolio Commentary

The third quarter of 2021 provided no shortage of developments for investors to consider and debate. Chief among them was higher than anticipated inflation and the Federal Reserve's response. Global supply chain bottlenecks and disruptions related to the reopening of the economy coupled with persistent labor shortages have been the primary cause of the recent spike in inflation. A surge in COVID-19 cases driven by the highly contagious Delta variant has spurred a revival of consumer caution. These issues led to a meaningful slowdown in economic activity during the quarter, in stark contrast to the momentum seen during the first half of the year. This unusual combination of slowing economic activity and accelerating inflation have some investors raising the concern that a period of stagflation (high inflation, high unemployment, and stagnant demand) may be upon us.

There is much debate related to the Fed's policy, which operates with the objective "to promote effectively the goals of maximum employment, stable prices and moderate long term interest rates". Given the current environment of meaningfully higher prices and stagnant labor force participation, investors are questioning how patient the Fed can continue to be, having previously made clear its desire to see inflation run modestly above their 2% target on a sustained basis. Stimulus checks, enhanced unemployment benefits, and COVID-19 related concerns are factors that have kept many out of the work force. A fewer number of workers has put strong upward pressure on wages. Higher wages and a higher cost of goods related to supply chain issues are forcing businesses to pass along these higher expenses to the consumer in the form of higher prices, creating a very unique challenge for the Fed. In normal conditions, the Fed would likely respond to high inflation with higher short-term rates, effectively stemming inflation risks. Current policy, however, suggests the Fed is taking a more patient approach in the hopes that the labor market and supply chain rights itself in the coming periods. Most investors share the belief that these challenges will resolve themselves naturally as government provided income support abates, labor market participation picks up, supply chains get repaired, and upward pressure on wages and inflation cools.

Early in the year the Fed frequently used the word "transitory" to describe the post COVID-19 inflation pressures. While the hope is that these pressures are in fact transitory, recent commentary from Fed officials is beginning to suggest that action may be taken sooner than originally anticipated in an effort to keep inflation from overheating. After the September meeting, the Fed signaled that the likely first response to stem the rise in inflation will be to soon begin to slow, or taper, its \$120 billion monthly purchases of Treasury and mortgage-backed securities. The expectation is that an official announcement marking the commencement of this initiative will come at the conclusion of the FOMC's next meeting in early November.

While the FOMC has gone to great lengths to emphasize that the bar for raising the Fed Funds rate is quite high, investors do not seem convinced. Market based pricing now suggests a greater probability than previously thought that the Fed Funds rate will in fact be increased in 2022. Additionally, it was revealed that half of FOMC participants now expect an increase in this benchmark short-term rate in 2022. This is a departure from the previous official position, which was that an increase would take place in 2023 at the earliest. A greater likelihood of short term yields moving higher in the near term has important implications for the short end of the U.S. Treasury yield curve. The steepening of the yield curve we have seen since early 2020 had been primarily driven by higher long term bond yields while short term yields remained relatively unchanged. The steepening we are now seeing has shifted away from longer maturity bonds and is more pronounced in bonds that mature between two and five years. While we view positively the opportunities being presented to improve portfolio yield, in the near term we remain cautious with respect to extending the portfolios overall average maturity.

Demand for municipal bonds continues to be very strong and, similar to taxable corporate bonds, valuations remain stretched. With a tax increase on the wealthy indubitably on the horizon, an even larger pool of investors will benefit from an increased allocation to municipal bonds. The strong demand seen in the sector in recent years has effectively kept yields stable and low while relative valuations have become expensive in a historical context. Our view is that this demand will remain elevated and perhaps increase further if the absolute level of yield available within the sector continues to improve. Our approach to constructing portfolios continues to use a blend of yield advantaged short term corporate bonds and intermediate term municipals of the highest quality where valuations are more attractive.

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