

Holding-Based Statistics

	Intermediate Fixed Income	Bloomberg Intermediate Gov/Cred
Yield to Maturity	4.52%	4.57%
Effective Duration	4.03 years	3.80 years
Average Quality	AA	AA

Strategy Statistics

Trailing 12 Month Turnover	54%
Firm Assets	234.43
Product Assets	108.08

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

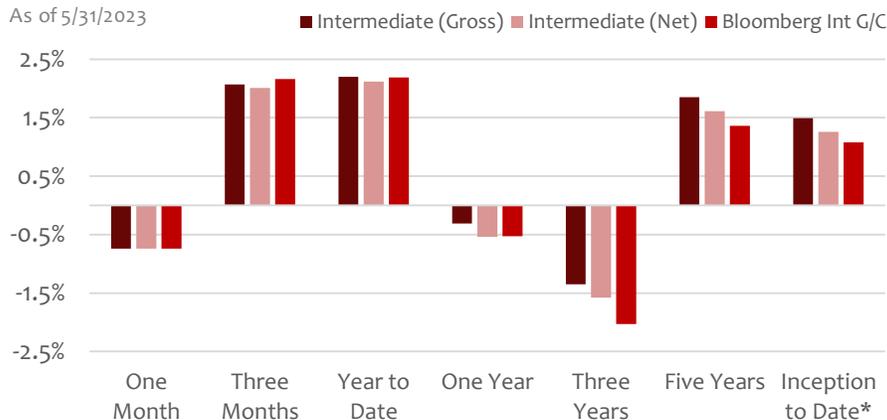
David Killian
John DeLaney, CFA
Joseph Shacklock

Inception Date

4/30/2017

Annualized Performance

As of 5/31/2023

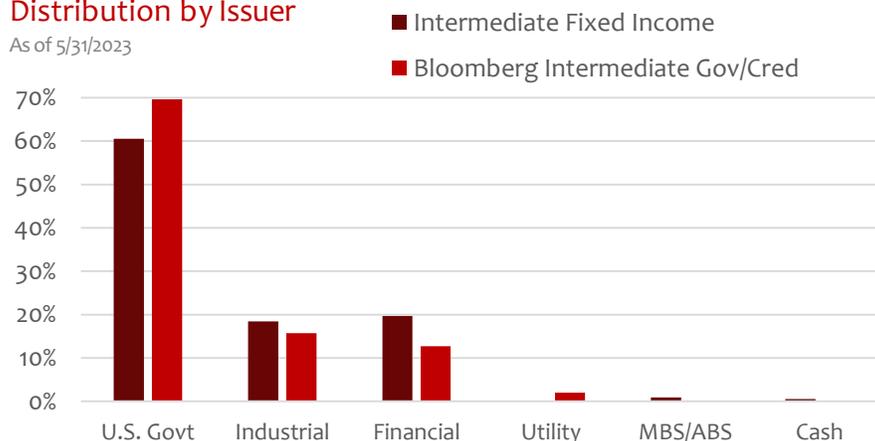


	One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date*
Intermediate (Gross)	-0.74%	2.07%	2.20%	-0.31%	-1.35%	1.85%	1.49%
Intermediate (Net)	-0.74%	2.01%	2.12%	-0.54%	-1.58%	1.61%	1.26%
Bloomberg Int Gov/Cred	-0.74%	2.16%	2.19%	-0.53%	-2.03%	1.36%	1.08%

*Inception 4/30/2017

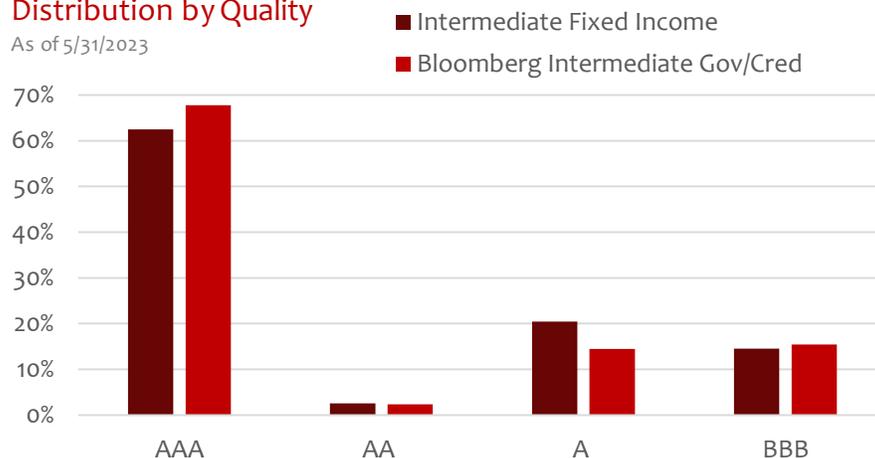
Distribution by Issuer

As of 5/31/2023



Distribution by Quality

As of 5/31/2023



Top 10 Holdings

As of 5/31/2023

US Treasury 2.875% - 8/15/28	4.66%
US Treasury 1.25% - 6/30/28	4.53%
US Treasury 1.375% - 11/15/31	4.24%
US Treasury 1.50% - 11/30/28	4.22%
US Treasury 1.125% - 2/29/28	3.80%
US Treasury 0.75% - 8/31/26	3.73%
US Treasury 0.75% - 11/15/24	3.62%
US Treasury 3.875% - 4/30/25	3.46%
US Treasury 3.625% - 5/15/26	3.46%
US Treasury 2.125% - 5/15/25	2.82%

1Q2023 Portfolio Commentary

Until recently the aggressive rate hikes delivered by the Federal Reserve to combat inflation have resulted in little consequence to the broader economy. During the most recent quarter, however, it became clear where the negative effects of higher interest rates have been most acute. Small and mid-sized regional banks have been experiencing large deposit outflows as depositors favor higher yielding money market alternatives, which have become an increasingly attractive alternative as short term yields have risen. These withdrawals have drawn investor attention to large unrealized bond losses on the balance sheet of many of these institutions, which raises concern with respect to their regulatory capital requirements. During the first quarter, the strain of this deposit outflow resulted in the failure of Silicon Valley Bank and Signature Bank. In an emergency response, regulators implemented new facilities which will provide banks with more options in how they fund excess deposit withdrawals. While the government response has so far been effective in limiting any further loss of consumer confidence in the safety of the banking system, banks will nevertheless continue to face elevated earnings pressure as the costs to retain customer deposits increases.

Prior to the events of the first quarter, expectations were that the Federal Reserve would slow the pace, but nonetheless continue along a path of raising the fed funds rate to a range of 5.5 to 6%. While inflation still remains above the level the Federal Reserve has been targeting, Chair Powell has indicated that the Fed could stop raising rates sooner than originally anticipated if pressures in the banking system were to result in a more pronounced slowdown in economic activity. Policymakers face a unique challenge in that they may choose to slow the pace of rate hikes or stop raising interest rates entirely due to these concerns, but if inflation does not continue along its decelerating pace they would be forced to re-engage more aggressively in future periods. Current pricing in the bond market is signaling a resounding vote of confidence that the effects of the banking crisis will mark the end of the current Fed rate hiking cycle and that policymakers will in fact soon reverse course and lower the fed funds rate, perhaps as early as this year.

Investor concern that the issues impacting the banking sector will constrain economic activity through tighter lending standards resulted in a dramatic decline in yields during the quarter. Since early March, when Silicon Valley Bank became a household name, the 2-Year U.S. Treasury yield declined 110 basis points to close the quarter at 4.0 percent while the 10-Year U.S. Treasury yield declined 68 basis points to end the quarter at 3.6 percent. For the first time since the prospect of a fed tightening cycle became prevalent to investors in 2021 the 2-Year U.S. Treasury yield is now trading below the target Fed Funds rate, historically an early indication of a near term economic downturn. The differential between the 2-Year Treasury yield and the fed funds rate is now approaching a level last seen prior to the 2008 Global Financial Crisis.

Corporate bonds, particularly lower quality issues and many within the banking sector, underperformed in the weeks following the bank failures as investors demanded more yield premium on these bonds to compensate for the heightened risk and increased volatility. While this recent period of underperformance has modestly improved valuations broadly for both investment grade and below investment grade corporate bonds, the increasingly uncertain outlook leaves us still favoring a larger than normal allocation to U.S. Treasury securities as an alternative in the near term. Given the myriad of signals we follow that suggest a high probability of an economic downturn, we anticipate corporate bond valuations will weaken further providing a more attractive entry point for new investments.



211 Welsh Pool Rd, Suite 234
Exton, PA 19341

610-321-3453
birchruntime.com

Birch Run Investments, an independent SEC registered investment advisor, claims compliance with the Global Investment Performance Standards (GIPS). GIPS is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Birch Run Investments has been independently verified for the period ending December 31, 2022. 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 gross performance results 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 and execution costs. Net performance represents the gross results net of investment management fees and in some cases custody charges. 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@birchruntime.com, or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.