

### Holding-Based Statistics

	Core Fixed Income	Bloomberg Agg. Index
Yield to Maturity	4.76%	4.85%
Effective Duration	6.19 years	6.09 years
Average Quality	AA2	AA2

### Strategy Statistics

Trailing 12 Month Turnover	41%
Firm Assets (MM)	280.2
Product Assets (MM)	36.6

### Investment Philosophy

The Core 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

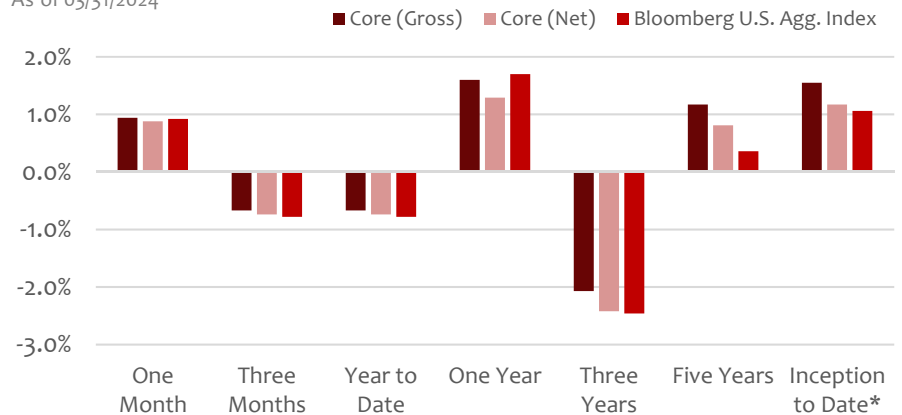
### Inception Date

3/31/2017

Source: Bloomberg, Advent

### Annualized Performance

As of 03/31/2024

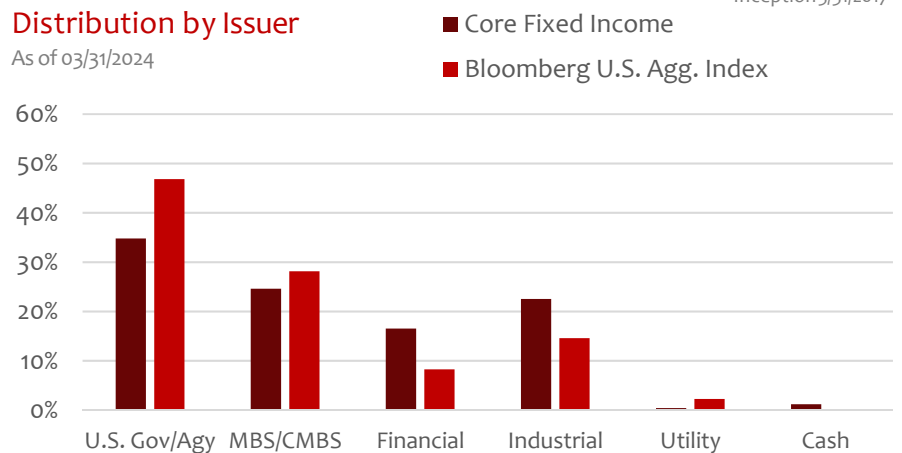


	One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date*
Core (Gross)	0.94%	-0.67%	-0.67%	1.60%	-2.07%	1.17%	1.55%
Core (Net)	0.88%	-0.74%	-0.74%	1.29%	-2.42%	0.81%	1.17%
Bloomberg U.S. Agg. Index	0.92%	-0.78%	-0.78%	1.70%	-2.46%	0.36%	1.06%

\* Inception 3/31/2017

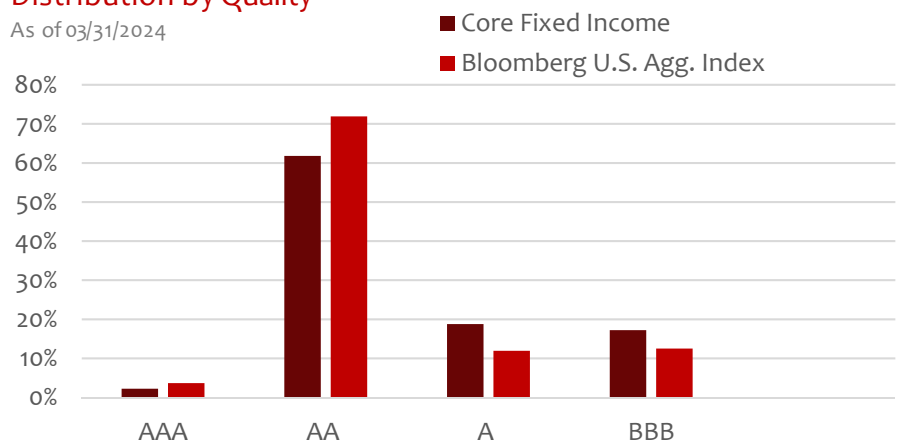
### Distribution by Issuer

As of 03/31/2024



### Distribution by Quality

As of 03/31/2024



## Top 10 Holdings

As of 03/31/2024

US TREASURY 2.375% due 05/15/2029	5.57%
US TREASURY 1.25% due 06/30/2028	3.97%
US TREASURY 3.875% due 11/30/2027	3.07%
US TREASURY 1.125% due 02/29/2028	2.98%
US TREASURY 2.875% due 08/15/2028	2.63%
FNMA #MA5207 4% due 11/01/2053	2.15%
FNMA #FS6121 3% due 02/01/2052	1.98%
FNMA #CB2928 2.5% due 02/01/2052	1.97%
FNMA #FS5387 2.5% due 05/01/2052	1.97%
FNMA #CB3353 2.5% due 04/01/2052	1.97%

## 1Q2024 Portfolio Commentary

While expectations remain that the Federal Reserve will begin the process of lowering interest rates before the year is out there remains considerable uncertainty with respect to the timing and degree. Fed officials indicated at their March meeting that the median estimate of committee members was for three rate cuts. The futures market however, contrary to last year, has recently repriced to reflect much less (See Chart1). After falling as low as 3.80% at the peak of rate cut optimism in December, Ten Year U.S. Treasury yields have moved steadily higher on a year to date basis and now appear to be moving back towards the 5.0% level last seen in October. Stubbornly high inflation readings surpassing expectations for three consecutive months, coupled with a continued tight labor market, will challenge the Fed's bias to lower short term interest rates in the near term.

Despite the stickiness of recent inflation readings, policymakers, and investors, remain optimistic that a successful soft landing for the economy is the base case forecast. Key to this outcome will be the Fed striking a delicate balance with how they handle the timing and pace of future rate cuts. Maintaining the current restrictive policy rate of 5.50% raises the risk of an economic slowdown. Conversely, reducing rates prematurely could allow inflation to re-accelerate and take even firmer root. In light of this framework, Fed Chair Powell has indicated that interest rates will remain at current levels until there is clear evidence that inflation is moving down a sustainable path toward their 2% target. While this set of criteria appeared to have been met in the fourth quarter, recent inflation readings clearly do not and suggest the Fed will modify its rate outlook and adopt a more data dependent approach.

Bond yields across the yield curve reacted as one might expect from the higher inflation readings and increased sharply. By mid-April, the Two-Year U.S. Treasury yield, highly sensitive to Fed policy, increased 70 basis points to nearly 5.0%. The Ten-Year U.S. Treasury Yield now stands at 4.60%, also an increase of 70 basis points from year end. On a relative basis, investment grade and high yield corporate bonds performed well both in the quarter and through mid-April, outperforming comparable maturity U.S. Treasuries. Despite tempered expectations for rate cuts, credit spreads on both investment grade and high yield bonds have continued to contract and are now approaching levels last seen in 2007.

Despite rich valuations, the yield advantage available in corporate bonds and the underlying strength of the economy leads us to maintain an above average weighting to the sector overall. Nonetheless, we remain mindful that deeply inverted yield curves, with the sole exception of 1966, have been very accurate predictors of a looming recession (See Chart 2). For this reason, we remain cautious within our overweight allocation to the sector. We continue to emphasize issuers of higher credit quality that are less susceptible to underperformance during a period of economic contraction. In keeping with this approach, during the quarter we also increased portfolio exposure to government guaranteed mortgage backed securities, where appropriate. This is a sector of the market where for many years purchases in the open market by the Federal Reserve pushed valuations to unattractive levels. In recent months however, valuations relative to corporate bonds have improved considerably.



211 Welsh Pool Rd, Suite 234  
Exton, PA 19341

610-321-3453  
birchrnuninvestments.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@birchrnuninvest.com, or by mail 211 Welsh Pool Rd, Suite 234 Exton, PA 19341.