

July 10, 2014

***SECOND QUARTER REVIEW
2014***

CLIENT PORTFOLIO PERFORMANCE

Interest rates remain at historically low levels. Dearth of cash income forces many to invade principal to fund current expenditures. Greenwich Investment Management clients finance their expenditures from ample tax exempt and taxable income.

In the first half of 2014 Greenwich Investment Management clients received \$6,919,000 of tax exempt income from bonds. The current yield on \$217,662,000 of tax-exempt bonds is 7.04%. Taxable bonds, stocks and partnerships generated \$7,037,000 of taxable income and currently yield 7.45% on assets of \$201,922,000.

**FIXED INCOME PERFORMANCE
High Yield Tax Exempt Bonds (HYTEBs)**

In the first half of 2014 all sectors of the tax exempt bond market enjoyed robust performance. Note that Greenwich Investment Management's performance compared very favorably to the MMA 30 year AAA bond performance.

Michael D. Belsky
Managing Director – Fixed Income Unit

EQUITY PERFORMANCE

Greenwich Investment Management's performance lagged the major market averages for the quarter as the broader indices continued to set new highs. Our valuation model indicates that the market is more than over valued, but that does not mean it cannot become more so. Historically low interest rates cause asset allocators to favor stocks over bonds. The money that goes into stocks avoids higher yielding names on the premise that when interest rates rise, these names suffer the most.

This logic misses the fact that investors will be foregoing the income that is available from higher yielding stocks as they wait for the day when short-term rates begin to rise. We see value in high yielding stocks that are under-owned by institutional investors. We believe noteworthy opportunity exists in energy infrastructure companies, investment managers, small business lenders, real estate investment trusts and real estate lenders. These latter sectors benefit from the lending void left behind by the traditional banking industry, as traditional banking withdraws from lending and builds capital in anticipation of new higher capital requirements under the Basel III international banking treaty.

Drew J. Collins, CFA
Managing Director – Equity Unit

July 3, 2014

PORTFOLIO MANAGEMENT AND SUBJECTS OF INTEREST

In the 1st Quarter report we griped about the ebullient performance of the market of stocks compared to the measured advance of Greenwich Investment Management assets. “Measured” is a euphemism for slow, lacking mojo, “pathetic.” In the 2nd Quarter Greenwich Investment Management’s assets advanced while the market of stocks’ advance slowed to the measured pace.

Here is a question that few ask. With perfect hindsight would we sell our assets to buy “typical” or popular assets? Below are data prepared by Equity Research Managing Director, Drew J. Collins, CFA. These data are for two assets, Amazon and Oaktree Capital. We picked Amazon because everyone has heard of it. Amazon’s total return since April 11, 2012 is 77% and the stock is popular. We picked Oaktree Capital because it is one of Greenwich Investment Management’s largest positions, is not widely owned, and has underperformed Amazon by 50 percent since its listing.

With perfect hindsight we would not sell OAK to buy AMZN. These data explain why. If you want to discuss why we would willingly, deliberately forgo gain, **please call us.**

7/3/2014

AMAZON.COM INC (AMZN)	\$337.49	OAKTREE CAPITAL (OAK)	\$49.74
EPS (FY 1)	\$5.87	EPS (FY 1)	\$4.68
P/E (FY 1)	57.2	P/E (FY 1)	10.7
DIV (FY 1)	\$0.00	DIV (FY 1)	\$3.44
div yld (FY 1)	0.00%	div yld (FY 1)	6.89%
tang. BV/share	\$14.14	tang. BV/share	\$3.62
P / tang. BV	23.74	P / tang. BV	13.8
Market Cap	\$154.552	Market Cap	\$7.626
P/CF (FY 1)	17.63	P/CF (FY 1)	7.44
EV/CF (FY 1)	17.91	EV/CF (FY 1)	11.26
net debt/equity	94.97%	net debt (net cash)/equity**	-508.30%
ROE	3.07%	ROE	202.20%
mkt cap/sales	118.08%	mkt cap/sales	105.74%
TOTAL RETURN since 4/11/12	77.08%	TOTAL RETURN since 4/11/12*	37.85%

* date of initial public offering

** a negative number indicates positive balance of cash and marketable securities.

Drew J. Collins, CFA
Managing Director - Equities

NOTICES

- **Please let us know if you would like to view your Quarterly Reports via logging into our secure website, instead of receiving hard copies.**
- **If you have had a change in circumstances that would alter your Statement of Investment Objectives, please contact GIM.**
- **Thank you for continued support of Greenwich Investment Management. We appreciate your loyalty. Many GIM clients have been clients (of GIM or predecessor firms) for 5, 10, 20 or even 30 years. They have enjoyed the continuous flow of income throughout those years. A referral is the best compliment you can give. If you think someone you know could benefit from our work then please ask them to contact our office. We are available for conversation or meetings to determine if we are a match for their investment goals.**

Disclosures:

Performance presented here represents past performance, which cannot guarantee future results. Investment return and principle value will fluctuate so that an investor's account value, at some future date, may be greater than or less than its value at inception. Current performance may be higher or lower than the performance quoted here. All investments involve risk, including loss of principal.

The performance numbers in this letter reflect actual returns of all equities and tax-exempt bonds held by all GIM portfolios during the period indicated. Not all clients hold the same securities and performance will be different for each client based on securities held, the length of time held, and expenses incurred. The performance results reflect the deduction of actual advisory fees at rates up to 1% per annum and include the reinvestment of dividends and income. Clients may also incur other transaction costs such as custodial fees and other expenses. Please refer to the Investment Advisor Agreement for a full disclosure of the applicable fee schedule. The volatility of the indices may be materially different from that of the performance of the Composite. In addition, the Composite's holdings may differ significantly from the securities that comprise the indices. The indices have not been selected to represent appropriate benchmarks to compare the Composite's performance, but rather are disclosed to allow for comparison of the Composite's performance to that of well-known and widely recognized indices.

This material is for informational purposes only and should not be used or construed as recommendation regarding any security or be used as the sole basis for any investment decision. Not all GIM clients hold the same securities; therefore, a client's percentage held and income earned may be different from the information presented in paragraph 2.