

SEC RATES THE RATINGS AGENCIES

In December the SEC staff published a review of its findings after examining the ratings agencies, formally known as Nationally Recognized Statistical Ratings Organizations (NRSROs). These NRSROs include Fitch, Moody's, and Standard & Poors, among others. It is a dry, government-speak document that concludes by saying "The Staff has identified findings and recommendations for the NRSROs" without articulating them.

Nonetheless, the document outlines a long litany of failings, deficiencies, violations of written policies, and failures to disclose that make clear that there are still significant problems with the system. Among other things, the report outlines the SEC charges against S&P for Fraudulent Ratings Misconduct with regard to its ratings of Commercial Mortgage-Backed

Securities (CMBS). From our standpoint, there is nothing especially surprising in the report. In addressing the issue of the inherent conflicts of interest involved in the process, the report does nothing other than to say that the regulations require that the NRSROs "establish, maintain, and enforce" written policies and procedures to address and manage these conflicts. Not very comforting for an investor.

For the record, GIM has never relied on the rating agencies' pronouncements to evaluate its prospective bond investments. Instead, we rely on our own proprietary due diligence process under the guidance of Mike Belsky, our head of Fixed Income, who worked at Fitch for over 15 years, rising to the role of head of Public Finance.

Read the original document here.



DREW J. COLLINS, CFA, MANAGING DIRECTOR

ABOUT GREENWICH INVESTMENT MANAGEMENT

The cornerstone of our investment philosophy at Greenwich Investment Management is to preserve and grow your wealth. To achieve this, we have developed a unique investment approach that differentiates us from the traditional asset-gathering firms.

PORTFOLIO UPDATES: NEWS ON CURRENT PORTFOLIO HOLDINGS

LA PALOMA ACADEMY REPORTS FY 2015

La Paloma Academy issued its audited financial statements for the fiscal year ending June 2015 on December 17 of last year. Enrollment as of end-June was 2,118, up 14.5% from a year earlier (1,849 on 6/30/2014). The student/faculty ratio was 12:1 at year-end.

From a credit perspective La Paloma is performing well. The debt-service coverage ratio (DSCR) came in at 1.4 times (well above any covenants in the bond indenture) and days cash on hand was 59.5. Cash at end-June amounted to \$1.77 million.

Clients of GIM own \$16.4 million in face value of bonds issued by La Paloma Academy Schools. The two bond issues carry coupons of 6.25% and 6.50% and mature in 19 and 23 years, respectively. The bonds have modified durations of 6.44 and 6.47 years.

SCOTT FARRAR AT PETERBOROUGH

On December 14, we received one of our monthly updates on the progress at the Scott Farrar at Peterborough from Eldon Munson, the Project Manager for the facility. The Scott Farrar project is a multi-level retirement community consisting of approximately 25 independent living apartments, approximately 20 assisted living apartments, and approximately 18 memory care units and associated common areas, including a lobby, dining rooms, a café, a library, a media room, fitness and art studios, and a hair salon. As of the end of November, approximately \$2.9 million of the work (19.3% of the total project) had been completed.

According to the project manager, “the second floor concrete deck was completed, under lights and with a little bit of snow starting to fall.”

The project is being made possible by a \$16.3 million bond issued by the New Hampshire Health and Education Facilities Authority, purchased by the clients of Greenwich Investment Management in its entirety.

The Scott Farrar bond is a step-up bond that carries a 4.25% coupon through the end of next year, after which the coupon rises to 7.00% through maturity. The bond has a modified duration of 8.53 years.

EDGE CHARTER SCHOOL

In one of our unannounced site visits last November, Peter Courtney, President of GIM, met with Rob Pecharich (Principal) and Anne Ortiz (Finance) at the Edge School in Tucson, Arizona. Edge has a waiting list and has accumulated a cash cushion of four months' expenses. The school has had good student performance, solid financials and we are impressed by management's competence.

The building was clean and quiet. The art teacher must be fabulous. The art in the halls was something you would see at Arizona School for the Arts (another GIM-financed project). The school originally started with four rooms in one hall with a mortuary on the other hall (formaldehyde was the scent of the day).

Today Edge occupies the entire building. Supplementing our typical collateral, the bonds are further secured by a lease on a valuable onsite cellphone tower. We, along with our clients, are fortunate to have a high-quality bond that makes a world of difference to so many lives.

The \$3.6 million face-value Edge School Project bond carries a 6.5% coupon, and matures in 21 years.

TAX-EXEMPT BOND INVESTMENT RETURNS

(Monthly, in percent, since inception on 12/31/2006)

Greenwich Investment Management – High Yield Fixed Income Composite (Net of Fees Total Return)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	GIM Composite Return (Annual/YTD)	Barclays US Muni High Yield Index (Annual/YTD)
2015	1.2	-0.3	0.3	-0.2	-0.3	-0.5	-0.2	-0.2	0.7	0.8	1.0	0.5	2.7	1.8
2014	2.7	1.8	0.6	0.5	2.0	1.0	0.0	0.8	0.5	0.7	0.3	0.8	12.2	13.8
2013	1.1	0.4	0.1	0.5	-0.3	-4.9	0.2	-2.1	2.7	0.5	0.9	-1.0	-2.2	-5.5
2012	2.9	0.2	0.1	1.3	-0.4	0.5	1.6	0.8	1.2	0.3	1.3	0.0	10.2	18.1
2011	-1.0	1.5	-0.1	1.0	1.5	1.0	0.5	0.0	0.8	0.8	0.7	2.1	9.2	9.3
2010	0.6	1.2	1.2	1.4	0.1	0.6	1.5	1.8	1.3	0.4	-1.4	-1.7	7.2	7.8
2009	1.3	0.0	0.9	2.7	3.5	0.2	1.5	2.1	4.8	-0.4	0.4	1.1	19.5	32.7
2008	0.2	-3.9	2.3	1.1	1.4	0.0	-1.0	1.3	-4.9	-6.8	-3.5	-3.7	-16.6	-27.0
2007	0.4	1.5	0.4	0.7	1.0	-0.4	0.0	-0.9	2.0	0.7	-1.6	0.0	3.7	-2.3
CUMULATIVE													50.2	44.2
ANNUALIZED													4.6	4.2

Annualized (Net of Fees) through 12/31/15

Period	Composite Total Return (%)	Barclays US Muni High Yield Index Total Return (%)
3 year	4.1	3.1
5 year	6.3	7.2
Since Inception	4.6	4.2

Greenwich Investment Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards.

The High Yield Fixed Income Composite has been examined for the periods 1 January 2007 through 30 September 2014 by Ashland Partners and Company LLP. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The verification and performance examination reports are available upon request. This page constitutes a GIPS compliant presentation only when in conjunction with the following page. Please see additional disclosure at the end of this presentation.

TAX-EXEMPT BOND INVESTMENT RETURNS

Investment Returns (Annual since inception on 12/31/2006)

Greenwich Investment Management – High Yield Fixed Income Composite (Net of Fees Total Return)

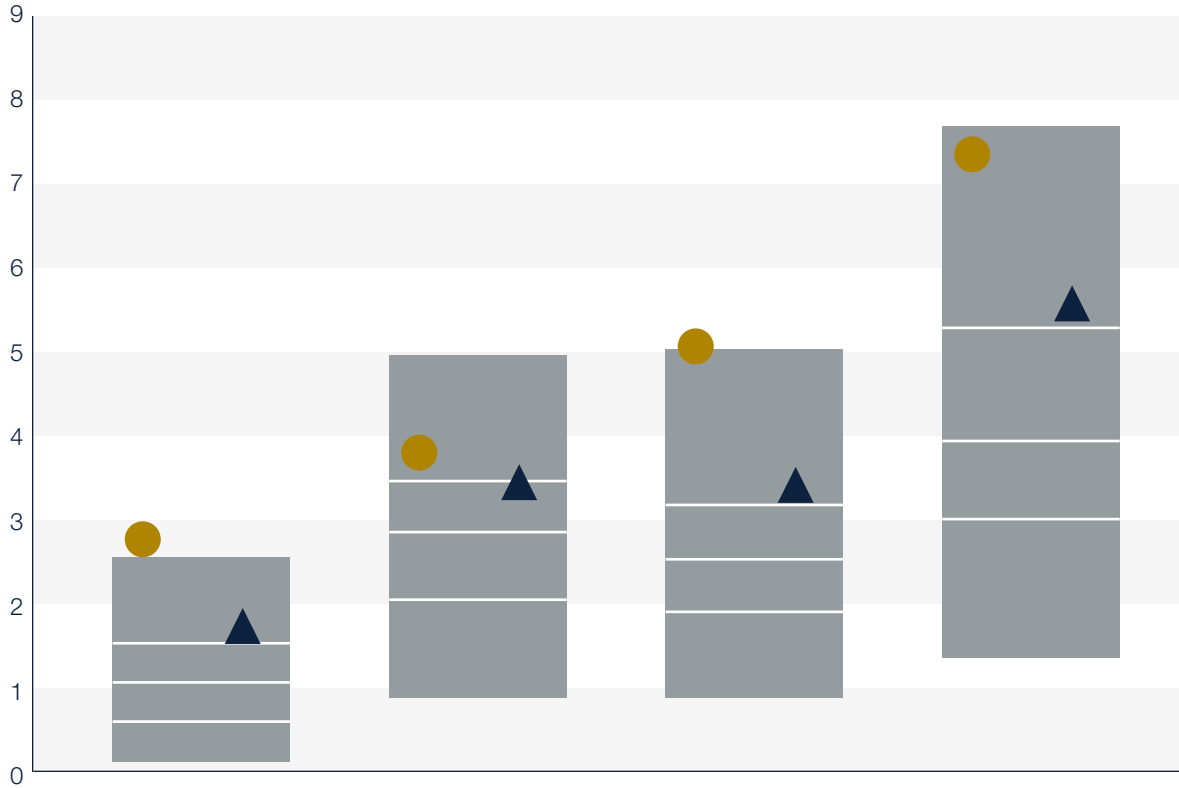
Year	GIM Composite Net Return (%)	Barclays US Muni High Yield Index Total Return (%)	GIM Composite Annualized 3 Year St. Dev. (%)	Barclays US Muni High Yield Index Annualized 3 Year St. Dev. (%)	Internal Dispersion (%)	End of Year # of Portfolios	End of Year Composite Assets (Millions USD)	End of Year Firm Assets (Millions USD)
2015	2.7	1.8	4.4	6.4	1.3	120	177.1	430.3
2014	12.2	13.8	4.6	6.2	2.2	91	128.7	424.5
2013	-2.2	-5.5	4.6	5.9	1.3	75	101.4	392.9
2012	10.2	18.1	3.2	4.2	1.6	87	125.3	370.4
2011	9.2	9.3	4.2	7.8	1.3	117	155.5	371.5
2010	7.2	7.8	8.0	12.3	2.8	108	140.3	386.8
2009	19.5	32.7	7.9	12.1	3.0	90	138.5	325.6
2008	-16.6	-27.0	–	–	2.4	51	69.6	274.6
2007	3.7	-2.3	–	–	–	47	70.1	298.3

- Greenwich Investment Management is a Registered Investment Advisor, established in 2006, that is not affiliated with any parent organization.
- The High Yield Fixed Income Composite includes separately managed fee paying discretionary portfolios whose objective is to compound income primarily through ownership of high yield tax exempt municipal revenue bonds. Many of the bonds are originated by Greenwich Investment Management and wholly owned by Greenwich Investment Management clients. The goal of this investment strategy is to deliver a total return through compounding tax-exempt income as well as through limited capital appreciation due to improved credit quality.
- Returns are achieved without the use of options or derivatives. Leverage is only used in rare cases or when requested by individual clients.
- The US Barclays High Yield Municipal Index is provided solely as a widely recognized index. It is in no way indicative of the strategy employed in this composite. It is Greenwich Investment Management's position that a meaningful benchmark is not available for this strategy due to the limited accessibility of specific, wholly owned bond issues.
- The composite portfolios contain no more than 20% equity securities for any period greater than 12 consecutive months. Composite is net of fees, was created January 1, 2007 and represents time-weighted rates of return for a dollar weighted composite. The minimum account size is \$500,000.
- Returns are presented net of management fees and include reinvestment of income. Net performance numbers from January 1, 2007 through January 31, 2012 are calculated by subtracting the maximum annual fee, 0.9%, from gross performance on a quarterly basis in arrears. Net performance numbers from February 1, 2012 through December 31, 2012 are calculated by subtracting the maximum annual fee, 1%, from gross performance on a quarterly basis in arrears. From January 1, 2013 forward, net performance numbers are calculated using actual fees.
- Valuation is computed and performance is reported in US Dollars.
- Current fee schedule is 1% of AUM if family AUM is under \$2 million, 0.9% of AUM if family AUM is between \$2 and \$10 million, 0.8% of AUM if family AUM is between \$10 and \$20 million, and 0.7% of AUM if family AUM is above \$20 million.
- Internal dispersion is calculated using dollar weighted standard deviation of annual gross-of-fees returns of those portfolios included in the composite for the entire year.
- Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- List of composite descriptions is available upon request.
- Past performance is not indicative of future results. Please see additional disclosure at the end of this presentation.
- The compliant presentation has been updated as of November 3, 2015 to address historical revisions. Composite assets have been corrected as a result of this revision.
- For comparison purposes, the composite is presented in comparison to the US Barclays High Yield Municipal Index. This is for general industry-wide comparative purposes only. In presentations shown prior to December 29, 2015 the composite was compared against the Barclays Long Term Municipal Bond Index. In presentations shown prior to March 13, 2015 the composite was compared against the Municipal Market Advisors 30 year GO AAA Index. The index was changed to be closer to the strategy of the composite than the previous index, though Greenwich Investment Management maintains that a truly meaningful benchmark is not available for this strategy due to the limited accessibility of specific, wholly owned bond issues.

TOP GUNS: PSN MUNICIPAL FIXED INCOME UNIVERSE

PERIODS ENDING DECEMBER 31, 2015

GREENWICH INVESTMENT MANAGEMENT, INC HIGH YIELD FIXED INCOME



	MRQ		1 YEARS		3 YEARS		5 YEARS	
	VALUE	RANK	VALUE	RANK	VALUE	RANK	VALUE	RANK
● GIM HYFI	2.49	1	3.55	15	4.92	1	7.20	2
▲ Barclays Muni.	1.50	14	3.30	20	3.16	20	5.35	19

Criteria: The PSN universes were created using the information collected through the PSN investment manager questionnaire and use only gross of fee returns. Mutual fund and commingled fund products are not included in the universe. PSN Top Guns investment managers must claim that they are GIPS compliant. The top ten performers for the latest most recent quarter period ending DECEMBER 31, 2015 become the 1 STAR TOP GUNS. The top ten performers for the latest 1 year period ending DECEMBER 31, 2015 become the 2 STAR TOP GUNS. The top ten performers for the latest 3 year period ending DECEMBER 31, 2015 become the 3 STAR TOP GUNS.

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(*) Style Benchmark

The PSN Municipal Fixed Income universe is comprised of 103 firms and 189 products

BOND TRANSACTIONS GIM HAS PARTICIPATED IN SINCE 12/31/06

	Number of Transactions Since 12/31/06	Face Value Purchased (\$ Millions)	Percentage Face Value
Total	64	429.635	100.0%
Single Handed	36	354.205	82.4%
Non Single Handed	28	75.430	17.6%

	Breakdown (All GIM Bond Transactions)		Breakdown (Single Handed Only)	
	Face Value (\$ Millions)	Percentage	Face Value (\$ Millions)	Percentage
Charter School	169.190	39.4%	154.670	43.7%
Senior Living	159.845	37.2%	119.485	33.7%
Transportation	40.350	9.4%	40.350	11.4%
Education	17.650	4.1%	16.650	4.7%
Energy	10.500	2.4%	10.500	3.0%
Housing	6.660	1.6%	0.000	0.0%
Incarceration	11.390	2.7%	0.000	0.0%
Other	14.050	3.3%	12.550	3.5%
	429.635	100.0%	354.205	100.0%

The **Top Guns Award** is given to the top ten performing strategies in their respective categories based on the trailing three-year track record.



GET MORE INFORMATION AT:
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GIM's Composite contains all fully discretionary accounts. The returns for GIM Composite reflect the deduction of advisory fees and brokerage commissions. Clients may also incur other transactions costs, such as custodial fees, and other expenses. The advisory fees used in the performance calculations are based on actual fees. Actual investment advisory fees incurred by clients may vary. The results for a client's account may differ from the actual return of the Composite.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

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