GREENWICH INVESTMENT MANAGEMENT

April 9, 2015

2015 FIRST QUARTER REVIEW

CLIENT PORTFOLIO PERFORMANCE

During the recent episode of historically low interest rates, Greenwich Investment Management clients have enjoyed ample tax exempt and taxable income. In the first quarter of 2015 Greenwich Investment Management clients received approximately $6,781,847 in tax exempt income. The tax-exempt portfolio yield is 7.09%. Clients received taxable income of $2,707,044. The taxable portfolio yield is 7.09%.

The Rising Tide

Our goal is to increase the income that clients receive each calendar quarter. Clients contribute to that growth by reinvesting all or a portion of their income. Greenwich Investment Management contributes through portfolio management tactics that we design to ratchet yield. For instance we may sell an asset whose yield at market is 4% to acquire an asset whose yield is 5%. The percent increase in yield is 25. We wish clients to visualize and to experience a rising tide of cash income that never ebbs.

FIXED INCOME PERFORMANCE
High Yield Tax Exempt Bonds (HYTEBs)

The Merit of Bonds Selected By Greenwich Investment Management

Last quarter we predicted the early redemption of five Basis Charter School bonds. On March 26th the Basis Organization paid Greenwich Investment Management clients a premium of $1,811,751 to redeem bonds with a face amount of $28,760,000. Clients achieved a premium yield i.e., a yield higher than the coupon rate. The redemption created capital for two new bond issues that will "renew" the call protection that was soon to expire in the redeemed bonds. The two new single handed bond issues will have final yields greater than current yield on the bonds that were redeemed at a premium. The early redemption of the Basis bonds demonstrates Greenwich Investment Management bonds are "liquid."

EQUITY PERFORMANCE

In our 2014 year-end report we described the vigorous program of remediation designed to improve our equity performance. We are pleased to report solid progress in the first quarter of 2015.

Brian Alexitch, Director of the Transaction Unit publishes at the close of business each day the total return of our largest positions and their return compared to the S&P 500. The objective of the Equity Unit is **outperformance by the Greenwich Investment Management "heavies" in the down episodes compared to the S&P 500**. In the up or positive episodes we wish to see the Greenwich Investment Management "heavies" in positive territory but not necessarily outperforming the S&P 500. In 2015 Greenwich Investment Management's outperformance in the down episodes is what enabled our Equity Composite to do much better that the S&P 500.

Clients who wish to receive the daily scorecard should notify Susan Fabiani in George Rieger's office. The score card will be sent electronically either in the evening or early morning of the following day.

The Hot Air Balloon

Some years ago we learned that Chairman Greenspan was unable to recognize a stock market bubble when one developed in late 1990's. If Chairman Greenspan was looking for a bubble what he should have looked for was a hot air balloon. There are clearly episodes when common stock prices emulate the beautiful hot air balloons that float above scenic areas of the United States. Two recent articles from the Wall Street Journal describe the inflated values that have lifted the returns of the popular averages. We recommend to clients that they carefully read the article by Jason Zweig and the article by Morgan Housel. They suggest that current prices of "hot" common stocks are simply "hot air."

Why Equity Performance Improved

In our year-end report we commented on three major positions: Oaktree (OAK), Ellington Financial (EFC), and Triangle Capital (TCAP). We used limit orders to reduce our OAK position when it rallied to the mid $50s. The OAK position continues to qualify as a Greenwich Investment Management "heavy." We will reduce our position further if OAK rallies into the high $50s.

We maintained our position in EFC which reduced its dividend slightly at the end of 2014. EFC continues to suffer from the overhead supply of the large common stock offering that we wrote about in our last report. EFC's dividend yield is 13%. The behavior of the stock implies that the financial community is skeptical that EFC will continue to pay its current dividend ($2.30 per share). EFC experienced a painful price decline in late 2011 from $24 to $16. The decline reversed dramatically as insiders and the company purchased their own shares in the open market. We have yet to see buying by insiders or the company during the current decline from $26 to $19.

In 2015 we have been successful in maintaining both buy and sell limit orders to take advantage of the normal high/low price ranges of our common stocks. History shows significant additional benefit can be achieved through this strategy.

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NOTICES

- **Greenwich Investment Management implemented new management fee billing reports beginning with the year end 2014 reports. The updated billing report consolidates management fees for all portfolios in the household onto one invoice.**
- **History Report has been updated to include Average Capital Base (ACB). ACB is the dollars that management has had to work with over the management horizon.**
- Please let us know if you want to receive your Quarterly Reports in electronic format via our secure website.
- If you have had a change in circumstances that would alter your Statement of Investment Objectives, please contact our service team at Greenwich Investment Management.
- 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 the first paragraph of this letter.