

GREENWICH INVESTMENT MANAGEMENT

January 15, 2016

2015 YEAR END REVIEW

CLIENT PORTFOLIO PERFORMANCE

During the recent episode of historically low interest rates, Greenwich Investment Management clients have enjoyed ample tax exempt income and taxable income. Many portfolios experienced growing income, the product of portfolio management and the reinvestment of income. In 2015 Greenwich Investment Management clients received approximately \$16,505,000 in tax-exempt income and \$10,420,000 in taxable income. The municipal bond portfolio's current yield as of December 31st is 6.8% and the taxable portfolio's current yield as of December 31st is 8.0%. The S&P 500 has a dividend yield of 2.0%. Greenwich Investment Management clients receive three to four times the yield offered by the market.

FIXED INCOME PERFORMANCE High Yield Tax Exempt Bonds (HYTEBs)

This past year the fixed income unit added eight transactions to the HYTEB Portfolio, of which five were purchased in their entirety by GIM clients. These eight transactions amount to over \$76 million in par value. The tax-exempt coupons range from 7%¹ to 7.25%. They included several private pay assisted living facilities and a charter school in markets with strong demographics. Please see Appendix A for the complete list of 2015 GIM HYTEB purchases.

¹ The Scott-Farrar bond has an initial coupon of 4% which steps up to 7% after December 31, 2015. The Mariposa Point bond has an initial coupon of 4% which steps up to 7.25% after December 28, 2016.

Useable Wealth

During this period of historically low interest rates Greenwich Investment Management has worked diligently to maintain client liquidity. We define liquidity as the consistent flow of income from financial assets. The yield on the Municipal Market Data (MMD) index of 30 year AAA bonds has hovered at or under 3% and remains there even after the Fed increased the Fed Funds rate. Should long term rates increase GIM will have an opportunity to reinvest income at higher rates and will be able to purchase new issues at higher yields. Greenwich Investment Management's tax-exempt bond portfolio yields 6.8% as of December 31, 2015. The Greenwich Investment Management selected bonds produced more than twice the income of the typical high grade portfolio represented by the MMD index.

Michael D. Belsky
Head of Fixed Income

EQUITY PERFORMANCE

This past year has been one that has not been kind to dividend paying stocks in general and high dividend paying stocks in particular. The fall in energy prices has brought down the entire energy complex, including the transportation companies included in the MLP or master limited partnership universe. And fear of the Fed, which was finally realized in the 25 basis point increase in the Fed Funds target range at the end of the year weighed heavily on the interest sensitive parts of the market including the real estate investment trusts (REITs) and the business development companies (BDCs).

The one major index that generated a decent positive return was the NASDAQ, where performance was dominated by a small group of highly capitalized companies collectively referred to as FANG, including Facebook, Amazon, Netflix, and Google (the company now formally called Alphabet). This concentration of performance is not unprecedented in the history of markets, but it usually bodes ill for the market as a whole. By several measures, the stock market is now overvalued, especially when looking at such longer-term measures as the cycle-adjusted price-earnings ratio that adjusts the level of earnings to where we are in the economic cycle. Using our own discounted cash flow methodology, the market looks to be 6-7% overvalued.

Our goal continues to be creating portfolios that generate more income than the market indices, ideally with growing payouts over time.

Drew J. Collins, CFA
Head of Equities

**APPENDIX A
2015 GIM HIGH YIELD TAX-EXEMPT BOND (HYTEB) PURCHASES**

Project Name (CUSIP)	Project Description	Location	100% GIM Owned?	Size (\$Millions Face Value)	Coupon (%)
Ottawa University (48526HYA8)	Library and Student Center	Ottawa, Kansas	Yes	16.65	7.00
Mariposa Point (040507PY5)	Senior Living	Gilbert, Arizona	Yes	14.51	4.00- 7.25 ²
Children of Promise Prep. Academy (13080KAR2)	Charter School	Inglewood, California	Yes	5.11	6.25
Westminster At Dallas (70359CAA1)	Senior Living	Dallas, Georgia	Yes	8.50	7.25
Scott-Farrar (6446143J6)	Senior Living	Peterborough, New Hampshire	Yes	16.30	4.25- 7.00 ³
Tuscan Isle (34061WAC8)	Senior Living	Poinciana, Florida	No	1.00 ⁴	7.00
Tuscan Gardens (14052WCC9)	Senior Living	Venice, Florida	No	6.80 ⁵	7.00
Glen I, LLC (394376BU0)	Senior Living	Greensboro, Georgia	No	7.43 ⁶	7.25
				76.30	

² Initial coupon is 4% which steps up to 7.25% after December 28, 2016.

³ Initial coupon of 4.25% which steps up to 7% after December 31, 2015.

⁴ GIM purchased \$1 million of \$28.3 million in face value.

⁵ GIM purchased \$6.8 million of \$25.91 million in face value.

⁶ GIM purchased \$7.43 million of \$28.43 million in face value.

NOTICES

- **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 return of principal for bonds is not guaranteed. Bonds are subject to interest rate, inflation and credit risks. Income from municipal bonds may be subject to state or local income taxes and/or the federal alternative minimum tax. Certain other income, as well as capital gain distributions, may be taxable.

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.