GREENWICH
INVESTMENT
MANAGEMENT

July 10, 2015

2015 SECOND 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 half of 2015 Greenwich Investment Management clients received approximately $8,517,240 in tax-exempt income and $5,615,011 in taxable income. The tax-exempt portfolio's current yield as of June 30th is 7.0% and the taxable portfolio's current yield as of June 30th is 7.4%. The S&P 500 has a dividend yield of 2.1%. Greenwich Investment Management clients receive over three times the yield offered by the market.

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

Greenwich Investment Management's New Bond Issues

In our April 9, 2015 review we referred to two new single-handed bond transactions that we expected to close in the second quarter. Greenwich Investment Management did purchase for clients the Ottawa University 7% and the Scott-Farrar Home Project at Peterborough, New Hampshire. The Scott-Farrar project has an initial interest rate of 4.5% which steps up to 7% on January 1, 2018. At this writing we are evaluating several other investments including two transactions for California Charter Schools.

EQUITY PERFORMANCE

The solid progress that we reported in our April 9th review evaporated. Two assets, Ellington Financial (EFC) and PennyMac (PMT) both "achieved" negative returns. EFC's total return was (12.2%) and PMT (11.1%). Both EFC and PMT have created their own negativity by paying dividends that exceed their dividend paying capacity. If clients wonder why we would own self-liquidating assets, the answer is that we prefer not to. We expect intelligent management to act intelligently. Occasionally we are disappointed.

Why Equity Performance Failed to Hold the Gains

In our first quarter report we commented on our tactical reductions in Oaktree (OAK) and Triangle Capital (TCAP). Such tactics enabled us to reduce client positions in OAK and TCAP to benefit client total return. We commented at length about Ellington Financial (EFC). In the 12 months ending June 30, 2015 the total return of EFC **assuming reinvestment of dividends** was (12.2%). Greenwich Investment Management clients did not reinvest dividends in EFC, but the negative return remains clear. In the same 12 months the rate of return of PennyMac (PMT) was (11.1%). To report those results is shocking and unacceptable to us.

We are committed to the arduous work of improvement. We have discussed and continue to review with the managements of EFC and PMT what they can do to improve shareholders' returns. Both assets sell below book value. EFC has a history of buying shares in the open market when EFC sells at less than book value. Recently EFC management commented that purchases would not commence until EFC's price declined further… a guarantee that the price would decline.

We have had similar discussions with management of PMT. Should we dispose of EFC and PMT? We discuss that option every day. Selling assets below their liquidation value (book value) has not proved to be good judgment. EFC and PMT had investment merit at the time of original purchase. Management assures us that they have the ability and will to restore their merit. So we await such improvement.

We continue to maintain both buy limit and sell limit orders to take advantage of price volatility as discussed in our April 9 report. Please refer to your realized capital gain and loss report to see the results of tactical transactions as well as other types of sales.

GREENWICH INVESTMENT MANAGEMENT

Equity Performance in Context

Page R6 of the July 7 edition of the Wall Street Journal (WSJ) lists various categories of mutual funds and their performance. While we are disappointed in our equity performance and make no excuse, the data in the WSJ illuminates the current environment for income-producing equities. There are 515 funds in the "Equity-Income" category. Their average return year-to-date through June 30 was (0.5%). In the "Real Estate" category of funds, which is typically a high yield sector, there are 267 funds with an average year-to-date return of (5.1%). We will provide the referenced page of the WSJ to any client who requests it.

The S&P 500 total return has been 1.2% for the first half of 2015. While it has generated a modestly positive return, a more thorough look reveals that only three of the ten sectors that make up the index have had a return in excess of the overall index and are the drivers of this performance. Such a result is not indicative of a robust investing environment and may indicate that the tide can turn quickly. The S&P 500 has a dividend yield of 2.1% as of June 30th while GIM equities have a dividend yield of over 7%. When the tide does turn cash returns will be reconsidered by those that have followed the market and not the money. Greenwich Investment Management will continue to follow the money as we always have.

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.