GREENWICH INVESTMENT MANAGEMENT

October 12, 2015

2015 THIRD QUARTER REVIEW

CLIENT PORTFOLIO PERFORMANCE

During the recent episode of historically low interest rates, Greenwich Investment Management (GIM) clients have enjoyed ample tax-exempt and taxable income. In the first three quarters of 2015 Greenwich Investment Management clients received approximately $13,836,347 in tax-exempt income and $8,025,562 in taxable income. The tax-exempt portfolio's current yield as of September 30th is 6.9% and the taxable portfolio's current yield as of September 30th is 8.1%. The S&P 500 has a dividend yield of 2.1%. Greenwich Investment Management clients receive nearly four times the yield offered by the market.

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

The financial media remain focused on predicting when the Federal Reserve will raise interest rates. We believe Greenwich Investment Management clients are positioned to prosper when and if interest rates rise. Such an increase may be advantageous to clients for these reasons: reduced probability of bonds being called, improved return on income reinvested, and higher interest rates on new bond purchases. GIM HYTEBs can function as "cushion bonds," which have reduced price sensitivity to interest rate changes.[1]

Greenwich Investment Management's New Bond Issues

We anticipate that by October 31st, Greenwich Investment Management clients will have financed the $16 million Mariposa Point of Gilbert project through bonds to be issued by the Arizona Health Facilities Authority. The project is a 79 unit high-end private pay assisted living facility in Gilbert, Arizona, located in the Phoenix Metropolitan area. The bond will have a tax-exempt coupon of 4% for the first 14 months then increase to a 7.25% coupon for the life of the bond. As we write, we are performing due diligence on several other single-handed transactions with yields between 7.25% and 7.5%. We find these rates to be attractive in the current interest rate environment, and likely to be attractive if interest rates were to moderately increase.

[1] For more information on Cushion Bonds, request from GIM Inside the Yield Book, pgs. 69-71.

EQUITY PERFORMANCE

Our strategy is to own so-called "value" equities and to avoid the expensive giants that dominate the S&P 500. Giants include these market values: Apple $654 billion, Google $454 billion, Microsoft $370 billion, and Facebook $265 billion. Our "value" stocks in the recent market turmoil have not protected client principal.

The S&P 500 is the "stock market." To see what is happening with the "market of stocks" we look at the Value Line Geometric Index (VLGI). It weights 1,700 stocks equally. The VLGI tells us what is happening to the typical stock, as opposed to the market giants referred to above. The VLGI in 2015 has declined from its peak 17.5% compared to the S&P 500's 12.5% fall through September 30th.

The S&P 500 reflects optimism and is expensive. We observe that at its 2015 peak on June 30th, 2015 the S&P 500 was 59% above its long term moving average. When the S&P 500 peaked at the end of September, 2007 it was 42.6% above the moving average (see attached graph and contact Drew J. Collins for elucidation).

So where is the good news in all this misery? Valuations for our universe of stocks are more attractive than the market and attractive in absolute terms. We are looking at average dividend yields of 6.9% versus the roughly 2.3% offered by the S&P 500 and the 1.4% available from the Russell 2000.

Sell-offs like the one we are experiencing allows us to re-invest accumulating income at cheaper valuations and higher yields. This is how compounding works. As prices fall, the cash coming into your portfolio can be redeployed in high yielding assets. The lower prices allow us to buy more shares than we would be able to if the market were at higher levels. The market value of the stocks you own may have declined, but the number of shares you are buying when income is reinvested has increased.

Drew J. Collins, CFA

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.