

GREENWICH INVESTMENT MANAGEMENT

April 15, 2014

FIRST QUARTER REVIEW 2014

CLIENT PORTFOLIO PERFORMANCE

Interest rates remain at historically low levels. Dearth of cash income forces many to invade principal to fund current expenditures. By contrast, Greenwich Investment Management clients finance their expenditures from ample tax exempt and taxable income.

In the first quarter of 2014 Greenwich Investment Management clients received \$6,000,000 of tax exempt income and \$3,600,000 of taxable income.

PORTFOLIO MANAGEMENT AND SUBJECTS OF INTEREST

In our 2013 Year End Review we derided the stock market as a balloon filled with hot air. As we write early in April of 2014 we wish that the hot air would fill our equity balloon.

The behavior of the common stock prices in 2013 and early 2014 remind one of the early stages of the 1973-1974 “bear market.” In 1971-1972, the growth stock mania gripped the market as “performance” became concentrated in few equities, the “Nifty Fifty.” Defensive equities underperformed the growth names in the rising market and as the market weakened from 1973 into 1974. The defensive equities finally emerged from their long slump in 1975.

What is the relevance of the 1973-1974 experience? Market performance appears concentrated in few names most of which are in internet technology, life sciences, and specialized energy companies. Evidence of the narrowly focused performance is the small number of new highs recorded in the IBD. As the market made new all time highs the number of stocks at the new highs should have been in the thousands not in the hundreds.

Perhaps the current market environment evidences another episode of speculation. In the enclosed article from the WSJ, June 24, 1988 senior statesman Felix Rohatyn warned that investors of all stripes were behaving as speculators.

Since Mr. Rohatyn’s prescient warnings we have witnessed periodic financial panics, crashes and insolvencies. They have been insufficient to change behavior. One must conclude that speculation based on unbounded optimism will end only when a contraction of unusual severity and prolonged duration occurs.

Subjects Discussed Within Greenwich Investment Management That May Interest Clients

- ETF's and IShares
- Laddered Municipal Bond Portfolios
- The Investment Merit of Asset Managers
- The Math of Bond Investing
- The Calculation of Performance

If any or all of the above interest you, call us.

UPDATES TO OUR TEAM

Bernard Braudis joined Greenwich Investment Management team this quarter as Managing Director and Portfolio Manager. Bernie was a founding member of Foss Mountain Capital, LLC, a boutique consulting firm specializing in managed futures and global macro alternative investment strategies. Previously, Bernie was a Portfolio Manager for U.S. Trust, Bank of America's private banking unit, and Columbia Management Group, Bank of America's asset management division. Before joining U.S. Trust, Bernie was a member of the Montgomery Private Client Group at Banc of America Securities. He began his career as a Financial Advisor with E.F. Hutton (now known as Morgan Stanley).

NOTICES

- Please let us know if you would like to view your Quarterly Reports via logging into our secure website, instead of receiving them by hard copy.
- If you have had a change in circumstances that would alter your Statement of Investment Objectives, please contact GIM.
- 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 have them contact our office. We are available to have a conversation or meeting 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.

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