



October 11, 2016

## *2016 THIRD QUARTER REVIEW*

### **USEABLE WEALTH**

During the current episode of historically low interest rates, Greenwich Investment Management (GIM) clients have enjoyed ample tax-exempt and taxable income. In the three quarters of 2016 GIM clients received approximately \$14,738,187 in tax-exempt income and \$604,622 in taxable income from the fixed income portfolio. Client's received approximately \$6,190,568 from the common and preferred stock portfolio.

The income GIM clients receive is USEABLE WEALTH. Income from GIM selected financial assets both evidences wealth and when reinvested can increase the production of cash income. Compounding income is a powerful creator of wealth.

### **Fixed Income Performance**

At the end of the quarter, the current yield on GIM's tax-exempt bonds is 6.3% and the current yield on GIM's taxable bonds is 6.7%. **Current yield is defined as the cash income divided by the market value. Clients who wish to understand more about bond mathematics should call Dan Laflamme (203-625-5316).** As a comparison, the current yield of the Municipal Market Advisors 30-year AAA Index is 2.4% and the Barclays Long Term Municipal Index is 4.4%. Our clients have received approximately expect to receive 1.5 to 3 times more income than they would receive if they owned the high-grade index fund or comparable asset class.

**October 2016 Single-Handed Bond Transactions**

Type of Project	Project Name	Size (\$ Millions)	Location	Interest Rate
Senior Living	Beach House at Wiregrass Ranch	22.8	Hillsborough County, FL	7% <sup>1</sup>
Charter School	Academy Del Sol	10	Pima County, AZ	7%
Charter School	Oceanside Academy	10.4	Charleston County, SC	7%
<b>\$43.2 million</b>				

**The Bond Pipeline**

Type of Project	Location	Expected Size (\$ Millions)	Expected Date of Transaction	Expected Interest Rate
Charter School	Bernalillo County, New Mexico	11	4Q2016	7%
Senior Living	Spartanburg, South Carolina	12	4Q2016	7%
Senior Living	Oakland County, Michigan	25	2017	≥7%
Charter School	San Bernardino County, Florida	12	2017	≥7%
Senior Living	Cherokee County, Georgia	10	TBD	≥7%
Charter School	Richland County, South Carolina	8	TBD	≥7%
<b>\$78 million</b>				

<sup>1</sup> Interest rate is 5% for the first 12 months and 7% thereafter.

**Common Stock Performance**

The current yield on the GIM equity portfolio as of September 30, 2016 is 7.9%. The S&P 500 has a current yield of 2.1%. Greenwich Investment Management clients expect to receive nearly four times the current yield offered by an S&P 500 fund or comparable asset class.

**Largest Stock Holdings as of September 30, 2016**

Security	Market Value (\$)	Pct. Assets <sup>2</sup>
Starwood Property Trust	7,902,808	1.6
Airport Property Partners REIT <sup>10</sup>	7,614,642	1.6
Ares Capital Corp.	7,495,909	1.5
PennyMac Mortgage Investment Trust	6,540,042	1.3
CBL & Associates Properties	5,391,265	1.1
T. Rowe Price Group	5,348,329	1.1
PennantPark Investment Corp.	5,027,504	1
Airport Property Partners REIT Pfd. <sup>11</sup>	4,822,336	1
Ellington Financial LLC	4,786,139	1
Main Street Capital Corp.	4,651,749	0.9
Fifth Street Finance	4,431,229	0.9
Omega Healthcare Investors	4,095,149	0.8
Triangle Capital Corp.	3,322,917	0.7
Apollo Investment Corp.	2,791,250	0.5
Medley Capital Corp.	2,653,386	0.5
<b>TOTAL</b>	<b>76,874,653</b>	<b>15.5</b>

<sup>2</sup> Percent of GIM Master Composite as of September 30, 2016.

**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 experienced 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. Net 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.*

*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 and local income taxes and/or the federal alternative minimum tax. Clients may receive other income such as capital gains that is taxable.*

*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.*