



Robert Bolton, Portfolio Manager

December 2019

#### MONTHLY PERFORMANCE, NET OF FEES

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	8.16	4.01	(5.55)	3.79	(4.79)	4.89	2.52	(6.57)	5.10	2.97	4.57	3.10	23.09
2018	1.13	(1.62)	1.28	.22	3.73	(.22)	(1.36)	.61	(3.10)	(10.40)	1.26	(14.87)	(22.36)
2017	1.64	2.13	(.06)	.20	(2.50)	3.19	(.14)	(1.09)	6.06	.65	2.82	(1.88)	11.26
2016	(7.38)	(3.72)	4.99	4.91	1.37	(1.60)	3.82	3.93	(.19)	(.09)	12.18	7.51	27.14
2015	(6.42)	4.57	6.43	(.79)	.27	3.23	2.19	1.66	1.61	3.54	4.42	.39	22.54
2014	(.43)	1.34	1.31	(3.39)	.85	1.52	(3.59)	1.08	(2.75)	8.94	(.52)	5.22	9.27
2013	4.58	.74	1.62	(1.65)	1.62	2.45	5.99	(2.10)	2.30	1.38	4.20	1.12	24.30
2012	2.42	.57	3.09	(1.01)	(2.59)	2.59	.06	1.98	3.12	.37	(.91)	2.49	12.67
2011	--	--	--	--	--	--	--	--	(.64)	3.05	.91	1.66	5.04

#### OVERVIEW

The Iron Bay Fund was +3.10 % in December, bringing the year to date return to +23.09%.

##### The Market:

In 2019, a resilient economy supported positive market performance with the S&P 500 trading to record breaking levels, the best annual return since 2013. Contrary to expectations, most asset classes performed remarkably well. An accommodative Federal Reserve and easing trade tensions with China contributed to strong returns. The financial sector climbed to a record high for the first time since 2007. This all happened against a backdrop of an inverted yield curve, domestic and geo-political chaos, government protests and according to the U.S. Census Bureau, population growth slipped to its slowest pace in over 100 years. Population trends are important because population growth and productivity improvements are key to economic growth.

##### The Economy:

This has been the longest U.S. economic expansion in history. Although activity across the manufacturing sector has continued to contract, low unemployment, wage growth and muted inflation has lifted the consumer accounting for more than 70% of economic activity. Consumer fundamentals have been strong and have kept the economy marching along. Federal Home Price Index rose slightly at the quarterly reading +.20% and consumer prices were up +5.0% year over year. Lastly, the Consumer Confidence Index slipped moderately (.30%) to 126.5 in December. Even the shortened holiday season appears to have surprised to the upside for retailers.

##### The Fed:

After three rate cuts in 2019, the Fed made no changes in December and indicated they would hold steady throughout 2020. The probability of another rate cut currently stands at 50% through next December. Interest rate policy during the past year was very much a result of the ongoing international trade tensions. While we may not see substantial action on trade before the elections, current policy has been accommodative enough to keep the market on a positive trajectory.

As we enter a new year and decade, recall that the Fed's policy committee rotates its voting members. In 2020 the new committee members might see some heightened concerns over inflation and potential overall market dislocation. Also, China's renewed interest in U.S. agriculture could lead to heightened pricing pressure on food.



(continued)

**Banks:**

The Financials sector currently trades in line with its five-year historical average with a small discount to the S&P-500. We remain focused on an extended credit cycle, that to date has only experienced “one-off” issues and no trend specific troubles. Underwriting quality at this phase of the economic cycle will be paramount when we consider investments in certain lenders. According to some research analysts, **large-cap** bank outperformance is potentially overdone. Small and mid-cap banks though are "set up relatively well going into 2020" as they "benefit most from the relative strength of the U.S. economy, the improved interest rate outlook, and merger activity.”

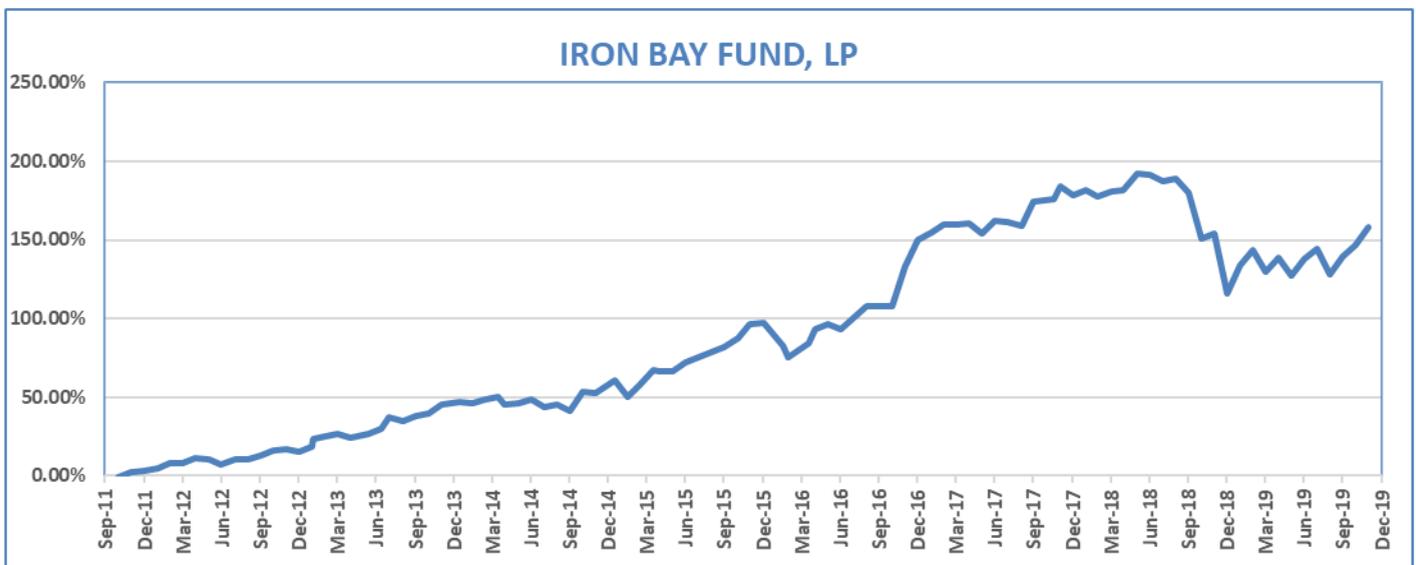
**M&A:**

As 2019 closed, banks continued to hunt for deals. We have seen a return to merger of equals (MOE’s), regional bank deals, de novo bank filings and credit union bank deals. A rollback in regulations and market pressures brought on by an inverted yield curve and increased competition, has incited bankers to explore a variety of options. Texas and Illinois led in volume for consolidation activity in 2019, and we would expect in Illinois specifically, this will continue considering the number of banks in their market. The future is bright for activity as bankers explore potential fintech partnerships and look for efficiencies with an increasing number of bank branch closures. Concern over implications from the 2020 elections could accelerate merger discussions in the first half of the year.

The Fund did participate in a late month transaction. Evans Bancorp, in Buffalo (EVBN) announced a merger agreement with Fairport Savings Bank, in Rochester (FSBC). EVBN will acquire FSBC for \$17.80 per share for a total of approximately \$34.7 million (the Fund owns both names). The transaction is comprised of 50% stock and 50% cash. The deal values FSBC at just under 110% of TBV. EVBN projects the transaction will be 5% accretive to earnings in 2021, with assumed cost savings of about 30%. The deal has a calculated earn-back of 3.5 years. We like the deal for both parties; It takes FSBC out of a “stalled” growth mode and places them with a smarter management team that will transform their balance sheet into a more commercial bank institution.

Going into 2020, we continue to be optimistic about where the U.S. economy is headed. With low unemployment and a healthy consumer the markets are positioned for moderate growth. We believe there will be a need for continual M&A. If you would like to learn more about the Iron Bay Fund and our outlook going forward, please contact us.

**GRAPH**



RETURN DATA

<i>Total Return Since Inception</i>	+166.18%
<i>Annualized Return from Inception</i>	+12.47%
<i>Average Monthly Return</i>	+1.06%
<i>Std. Deviation of Monthly Return</i>	+3.80%
<i>Sharpe Ratio Since Inception</i>	.90
<i>Beta Since Inception vs. S&amp;P 500</i>	.60

	IRON BAY FUND, LP	NASDAQ BANK INDEX	RUSSELL 2000
<i>December 2019</i>	+3.10%	+3.36%	+2.71%
<i>YTD</i>	+23.09%	+21.23%	+23.72%
<i>Last 12M</i>	+23.09%	+21.23%	+23.72%
<i>Last 3Y (Annualized)</i>	+2.06%	+1.02%	+7.13%
<i>Last 5Y (Annualized)</i>	+10.61%	+8.20%	+6.73%
<i>Inception (Annualized)</i>	+12.47%	+12.04%	+10.50%

\*All reported Iron Bay Fund, LP returns are NET OF FEES.



**SERVICE PROVIDERS & INVESTMENT TERMS**

Fund Manager	Robert Bolton
Management Fee	1.75%
Performance Fee	20%
Lock Up	None
Redemptions	Quarterly with 60 Days Notice
Administrator	Virtus Partners
Auditor	KPMG
Prime / Custodian	TD Securities
Legal	Woods Oviatt Gilman, LLP

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**Partnership Overview:** Iron Bay Fund, LP is a limited partnership that focuses on investing in the securities of US domiciled, publicly traded financial services companies, particularly community banks. The Partnership has the ability to sell short securities and may utilize moderate leverage in an effort to enhance returns. Iron Bay Fund, LP seeks to invest in companies that have attractive valuations based on fundamentals, merger and acquisition opportunities, increasing dividend payouts and above average capital deployment opportunities. Investments are selected using in-depth fundamental research, supported by robust trading discipline and risk management techniques.

*Past performance of the funds is no guarantee of future returns. The return data presented in our monthly letter is representative of our day-one investor returns. Specific investor returns may vary due to the time they came into the fund. This report is for informational purposes only and does not constitute an offer to sell or solicitation of an offer to buy limited partnership interests or shares. Offers can only be made via an offering memorandum, which is available to qualified investors. The respective offering memoranda include a more complete discussion of the various risk factors associated with an investment in the Fund. The limited partnership interests and shares, as applicable, of the Fund have not been registered under the Securities Act of 1933 or applicable state securities laws and are being offered and sold pursuant to an exemption available under such Act for securities issued in a private placement and corresponding provisions of state law. The information contained in this presentation is confidential, proprietary to Iron Bay Capital GP and may be used by the recipient for the sole purpose of considering an investment in the Iron Bay Fund LP.*