IRON BAY CAPITAL

Iron Bay Fund, LP

MONTHLY PERFORMANCE, ***NET OF FEES***

April 2020

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	(7.28)	(8.74)	(34.61)	8.27	--	--	--	--	--	--	--	--	**(40.09)**
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:

U.S. equities made a strong comeback in April following unprecedented fiscal and monetary stimulus and a glimmer of "hope" that we could potentially be reaching a peak in the pandemic. The S&P moved higher with its best monthly performance since 1987. All three major averages entered bull market territory after the significant downturn in March. The Iron Bay Fund was +8.27%, with financials recovering alongside the market. All twelve sub-sectors were positive for the month.

As expected, economic data has signaled distress in business conditions. Both the jobs report and unemployment numbers reflect an economy under severe pressure. Not surprisingly, retail and consumer spending has fallen sharply, and consumer confidence has waned. Real GDP declined sharply and is expected to move significantly lower for the second quarter before stabilizing somewhat in the second half of the year.

As mentioned, aggressive policy moves were a tailwind for the markets in April. The Federal Reserve has indicated it will be fully supportive and use all available tools, including purchases of various debt instruments (including high yield) to support the economy. They have also re-established a zero-bound federal funds rate at their April meeting and have commented for this to remain at this level for the foreseeable future.

Banks that have reported have generally missed consensus estimates on outsized provision expense as Covid-19 related uncertainty is driving reserve builds for most. (1) We believe these reserve builds, and overall revenue pressures will continue for the unforeseen future. Additionally, and somewhat muddying the waters was the inception of CECL (Current Expected Credit Loss) accounting standard (that some did choose to delay.) Commercial lending surged on small banks balance sheets as community banks became the primary source for the federally backed small business loans (PPP) in the virus relief effort. For smaller banks this was the main source of loan growth as loan demand beyond the program was hard to come by. Full-year 2020 and 2021 consensus EPS expectations are down 70% and 76%. (2)

Over 30 million unemployment claims have been filed in the past five weeks. (3) Against this backdrop, bankers are struggling to stress test portfolios and better understand what the potential impact will be to credit quality and earnings. Economists are also digesting what the impact and reach of the multi-trillion-dollar government stimulus programs will be. At best, we can only guess the probable outcomes. Any meaningful consolidation activity could be sidelined until there is more clarity for business activity and credit implications.

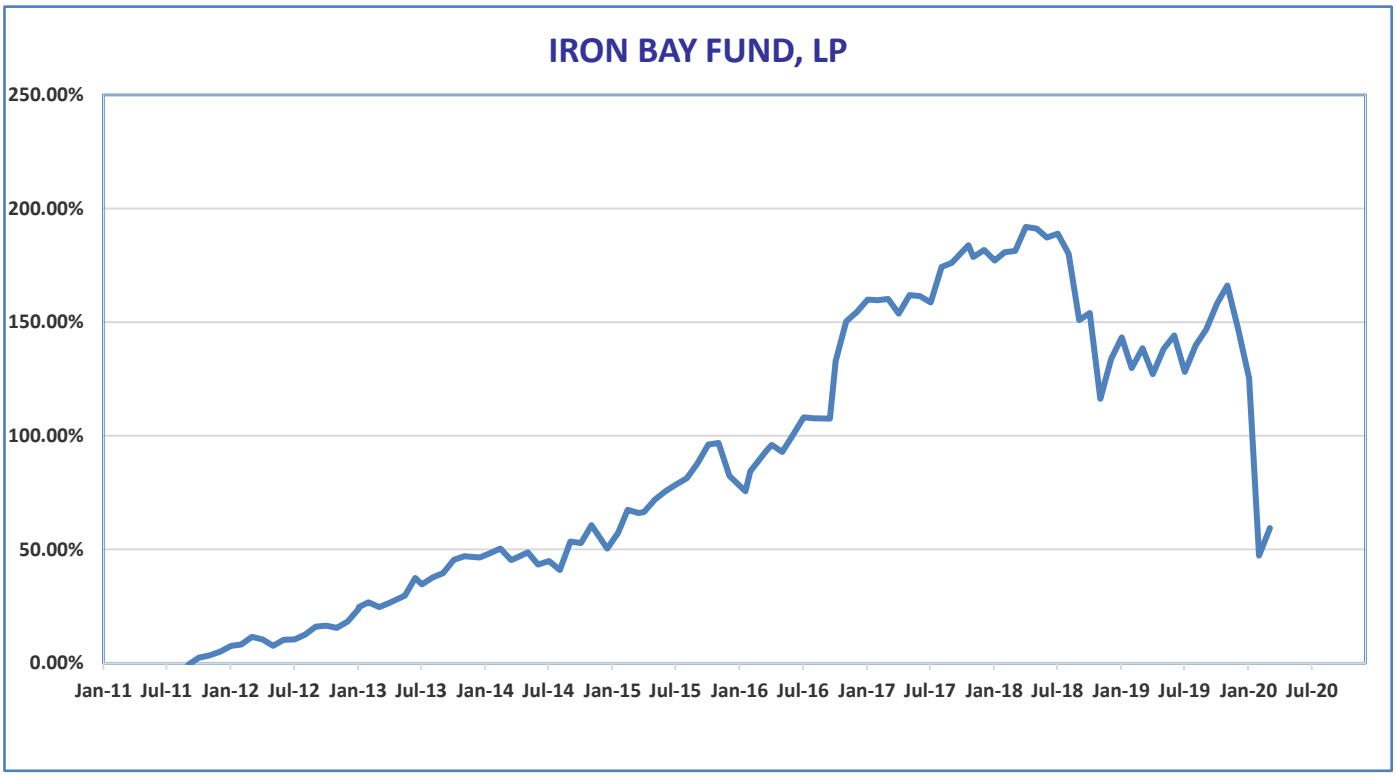
(continued)

The outlook into future quarters will be uncertain due to reserve builds and cuts to earnings expectations. As the impact of the Covid-19 pandemic continues to be felt in all aspects of our lives, investors attempt to make sense of the "new ways" the economy will function. The big question we cannot yet answer, is how quickly can economic activity, and ultimately for banks, loan demand, return once the pandemic is behind us? As Dr. Fauci said, **"You don't make the timeline; the virus makes the timeline."** The month ended with some positive news from Gilead Sciences, who suggested they may have a vaccine by the end of the year.

In closing we note, year to date, we have seen significant selling pressure in the community bank space. We suspect both fund liquidations and outflows from passive investment funds have contributed to the selling but are not reflective of a larger conviction negative bias towards the sector. We reiterate what has been universally commented by analysts and management teams alike; banks are very well capitalized and have significantly better balance sheets than what we witnessed in the financial crisis. This is a health crisis not a financial crisis. As the economy recovers, with news of successful drug development and more proactive management of the virus, we believe the sector will recover to normalized levels. We have faith that our patient long term approach to value investing will prevail. If you would like to arrange a call to learn more about our outlook, please contact us.

1 Raymond James & Associates
2 Raymond James & Associates
3 Barron's

GRAPH:



Iron Bay Fund, LP

IRON BAY CAPITAL

RETURN DATA:

Total Return Since Inception	59.46%
Annualized Return from Inception	5.53%
Average Monthly Return	.61%
Std. Deviation of Monthly Return	5.29%
Sharpe Ratio Since Inception	.27
Beta Since Inception vs. S&P 500	.68

	IRON BAY FUND, LP	NASDAQ BANK INDEX	RUSSELL 2000
April 2020	8.27%	12.03%	13.66%
YTD	(40.09%)	(31.04%)	(21.45%)
Last 12M	(33.14%)	(27.46%)	(17.63%)
Last 3Y (Annualized)	(15.07%)	(9.53%)	(2.18%)
Last 5Y (Annualized)	(.81%)	.40%	1.44%
Inception (Annualized)	5.53%	6.87%	7.05%

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

Iron Bay Fund, LP

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.