IRON BAY CAPITAL

Iron Bay Fund, LP

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

September 2020

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	(7.28)	(8.74)	(34.61)	8.27	(5.65)	.89	(8.00)	1.94	(4.89)	--	--	--	**(49.13)**
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 strong market rally, following the lows reached in March, faltered in September. Concern over increasing coronavirus cases in the U.S. and Europe weighed on investor sentiment. Also disappointing was the lack of progress on another stimulus relief package with parties having vastly different views as to the size and scope of the bill. Financials were under pressure once again having shown some signs of stabilization in August. Uncertainty over both long-term effects of the economy being shut down and potential measures taken to further defer stimulus payments has been a headwind for the banking sector, even as bank specific commentary has suggested a more upbeat outlook.

The Federal Reserve has reiterated their stance with rates to continue at a zero-bound range until market conditions reach levels of maximum employment and inflation consistently above 2%. Additionally, as has been previously noted, the Fed has committed to using their full suite of tools to support an economic recovery of which we are starting to see some positive signs. The monthly jobs report was encouraging considering overall unemployment remains elevated. Consumer confidence readings were the best recorded for some time and the real estate market is firing on all cylinders with a low interest rate environment fueling demand and pending home sales on a record pace.

Several banks have taken advantage of the low rate environment to access the debt markets to raise capital. Banks want to hold more capital to offset the increased risk posed by the pandemic. Capital generation is very affordable with rates at current levels and when appropriate, can be used for buybacks, creating some downside protection. Additionally, PPP has provided an influx of deposits and banks have looked to investment portfolios to add much needed return given low levels of loan origination. Low rates and excess liquidity, while good for banks to address the stressed environment, is a nearer term impediment for bank earnings.

The first three quarters of 2020 are behind us. To say what has transpired in the first three quarters of this year was unexpected is an understatement. Throughout the many bouts of volatility, we have been confident that community banks have been in a good position to be the solution, not the problem on a broader scale.

(continued)

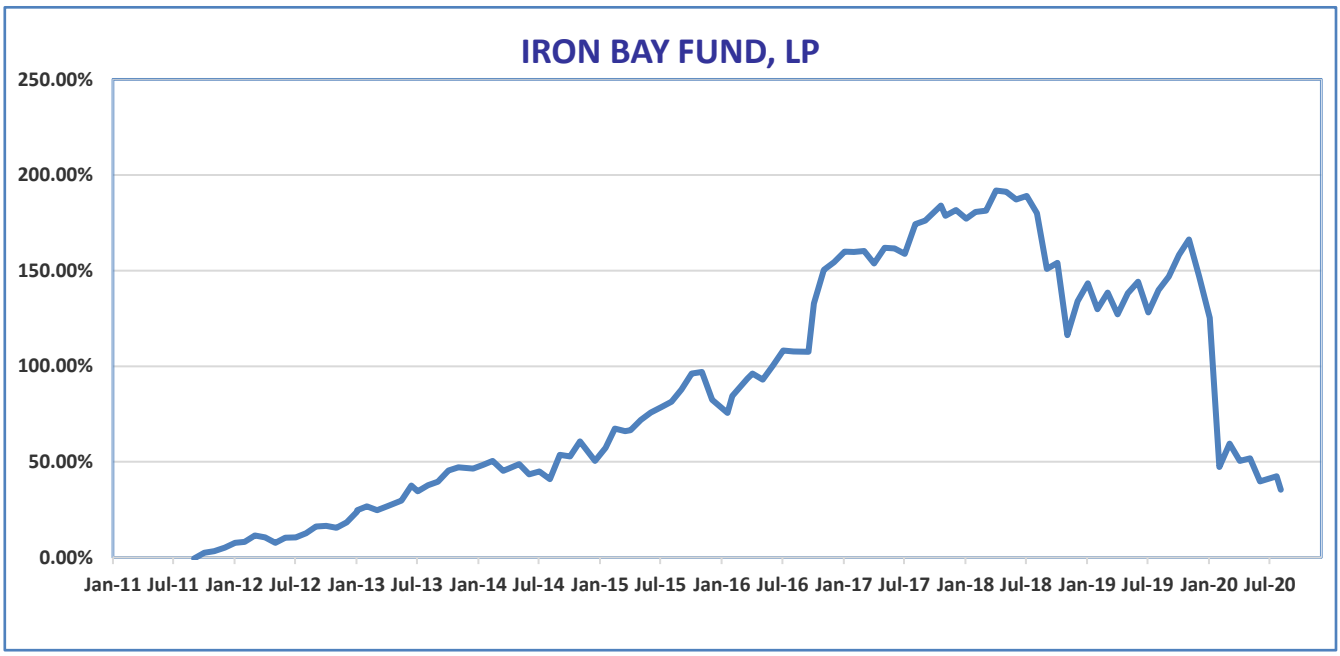
The measures taken following the financial crisis (stronger balance sheets, capital levels, etc.) has fortified our belief that the banking sector will recover, and valuation multiples will return to more normal levels. We do understand sentiment will be strained until such time as we have a concrete solution to the virus and there is evidence of a return to real economic growth.

We have taken every opportunity to speak with management teams and get a better understanding of local economies, pressures and concerns. The reality today is that reported deferrals have come down meaningfully and while we would expect credit to have some issues going forward, banks have built appropriate reserves (excess) in anticipation of these events. To the surprise of many considering the operating environment, according to SNL Financial, during the 3rd quarter there were 29 whole bank M&A transactions with a median price to tangible book value of 111%. We believe it will take a few quarters for normal activity to resume but are encouraged by this activity. We believe strongly that when it does begin, the volume will be greater than what we have witnessed in the past few years. We are told conversations are percolating and we believe this will be an exceptionally good opportunity going forward.

The next two quarters will be especially important as it relates to coverage ratios and credit. We believe banks have more than enough in reserves to manage through and eventually we will see a reduction in these reserves and a pick-up in M&A.

Thank you for your interest in the Iron Bay Fund. If you would like to arrange a call to learn more, please contact us.

GRAPH:



Iron Bay Fund, LP

IRON BAY CAPITAL

RETURN DATA:

Total Return Since Inception	35.39%
Annualized Return from Inception	3.39%
Average Monthly Return	.44%
Std. Deviation of Monthly Return	5.29%
Sharpe Ratio Since Inception	.15
Beta Since Inception vs. S&P 500	.63

	IRON BAY FUND, LP	NASDAQ BANK INDEX	RUSSELL 2000
September 2020	(4.89%)	(7.23%)	(3.47%)
YTD	(49.13%)	(36.83%)	(9.52%)
Last 12M	(43.53%)	(30.86%)	(1.14%)
Last 3Y (Annualized)	(20.97%)	(13.81%)	.42%
Last 5Y (Annualized)	(5.69%)	(1.98%)	6.52%
Inception (Annualized)	3.39%	5.52%	8.39%

**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

CONTACT INFORMATION

Iron Bay Capital
350 Linden Oaks
Suite 140
Rochester, NY 14625
(585) 348-9226

rbolton@ironbaycapital.com

www.ironbaycapital.com

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.