BANK PERFORMANCE NEWSLETTER – Q4 2019
ROSENTHAL INCOME STRATEGIES FUND LP ("FUND 3")

Prologue – the "Coronavirus Edition": Sadly, the world is dealing with a serious outbreak of a new virus. Our heartfelt thoughts and prayers go out to all those affected. This is certainly tragic and some short-term impacts on the market are not without some justification. Worries about the potential impact of this health issue on global GDP growth and supply chain interruption have negatively impacted the bullish market sentiment prevalent late last year. Said another way, fear has returned to equity markets. However, while not shocked, we are just a bit perplexed by the magnitude of the impact this situation has had on equity markets – especially banks.

As news of this contagion has dominated headlines, a "flight to quality" has been underway – which, as you know, means investors have flocked to U.S. Treasuries as a "safe harbor". This has driven bond *prices* higher and bond *yields* lower. Concurrently, the shape of the yield curve flattened. This "explains" why bank stock prices have declined somewhat so far this year. But, it doesn't fully or permanently "justify" this decline. (More on this in the body of the letter.)

In the first few days of February, some easing of concerns seemed to occur. Some perspective appeared to take hold. Bond yields increased and the yield curve steepened. Naturally, bank stocks rebounded. But, later this month, as the number of Coronavirus cases increased and spread, bond yields have again declined as investors poured into the safe haven of United States Treasuries and we've seen another selloff in *all* equities.

The real point of this prologue is to frame for you what we've done in the face of this situation. In short, we've deployed a substantial portion of the cash we'd accumulated late last year and gone "bargain hunting" during these recent dips in the market. We believe these actions will result in higher returns for you over time. Most importantly, regardless of the near-term outcome, we have purchased more of certain outstanding holdings within our existing portfolios; but equally noteworthy, we have added some highly-thought-of *new* names to our collection of investments. (Again, more on this in the body of the letter.) We believe that our opportunistic buying conduct is one of the reasons you've engaged us as stewards of this portion of your wealth. We are genuinely excited to have *refreshed* our portfolios here at the beginning of 2020. Obviously, in doing so, we think we've positioned our Funds for above average outcomes this year.

Our mantra remains, *performance drives stock prices in the long term*. Therefore, we are once again delighted to review the solid operating metrics turned in by the banks in our universe.

4th Quarter 2019 Headlines

- **Year-Over-Year Weighted Average ("Wtd. Avg.") EPS for Banks in Fund 3 up a Healthy 13%!**
- **Key Operating Takeaways from Q4:**
  - **3 Banks in our Portfolio Post Record High Quarterly Earnings**
  - **Wtd. Avg. Net Interest Margin down 12 Basis Points vs. Q4 '18 but 29 Basis Points Higher than Median NIM of ALL Publicly Traded Banks in Q4 '19**
  - **Excellent Overall Loan Quality Continues with Wtd. Avg. Non-Performing Assets/Loans steady at 0.57% – identical to last year and well Below the 1% Level Considered Good/Normal**
  - **Wtd. Avg. Capital Remains Very Strong at our Banks Increasing Nicely from 10.0% to 10.5%**
  - **Dividend Yield(1) for Fund 3 is 3.16%**
  - **Fee Income Increases Markedly at Our Banks, Driven by Mortgage Loan Origination Activity**

(1) Using the "cost basis" vs. "current market price"

- **Portfolio Rebalancing Update Provided Below**
- **Q4 '19 Bank Profile: An Update on Meta Financial ("CASH") – See below**

Bank Performance Recap: The headlines above and the chart on page 3 pretty well speak for themselves. And historically, we've regurgitated our comments on Net Interest Margin until you must be tired of reading about them. That is why this quarter, we want to focus on just one data point: the Wtd. Avg. NIM for banks in our portfolio in Q4 '19 was 3.88%. The median NIM for ALL publicly traded banks in the country (big or small) was 3.59% during Q4 '19. Point being: our banks are 29 basis points higher than the industry average. This is a significant positive variance. When you combine solid margins, with low overhead ratio's and strong asset quality stats and overlay those performance metrics with banks which are growing their balance sheets responsibly, the outcome in Fund 3 is not surprising: ***13% YOY EPS growth***. That's very satisfactory in our book and the primary reason for our claim in the prologue that the recent decline in bank stock prices is somewhat overdone and unjustified. That is why we have decided to buy shares on the dip at bargain prices and we're excited to have this opportunity.

Portfolio Rebalancing Update: It's only appropriate that we share other details about the portfolio, including how the make-up of our collection of stocks has changed during the year. During 2019, we've completely sold 7 positions. They have been sold for various reasons, including but not limited to: changes in leadership, underperformance, outperformance where we've chosen to harvest gains, changes in strategy or culture and most importantly, we've discovered banks we like better. In that vein, we've added 3 new names to the portfolio during 2019. They "fit" our investment philosophy and approach beautifully. They have a proven track record of results, strong leadership fostering the "balanced culture" critical to our investments, are located in vibrant and growing markets and have diverse revenue streams. The average dividend yield of the newly acquired banks is 3.26%. While we rely very predominantly on our own analysis, we are encouraged that other bank analysts rate our newly acquired banks highly as well. Refreshing portfolios thoughtfully and deliberately is part of our ongoing work on your behalf. We take great joy in doing it.

Q4 '19 Bank Profile: An Update on Meta Financial (ticker: "CASH")

By: Adam Henry, Senior Portfolio Manager
John W. Rosenthal Capital Management, Inc.

Many of you may recall that Tyler Haahr from Meta was our guest speaker at the 2016 Annual Investor Meeting. You may also recall the profile we wrote on Meta last year following Tyler's retirement where we introduced Tyler's successor, Brad Hanson, and the rest of the legacy senior management team still leading the bank. We used last year's profile to discuss the strategic investments that the company made, and the resulting impact to earnings in the short-run – which contributed to a decline in share price of 37% in 2018. We are now very pleased to update you that this holding has not only rebounded but has hit record highs as the company continues to reap the rewards of its investments – up as much as 123% from its lows in March of 2019.[1]

So, what happened? First a quick reminder of what Meta does. Meta, founded in 1954 as a traditional community bank, has evolved into a diversified financial services company operating in several different sectors: *national lending, payment services, and tax services*. The organization is helping to shape the evolving financial services landscape by directly investing in innovation and acquiring complementary businesses that strategically expand their suite of product and service offerings. Meta's ***National Lending*** initiatives create a broad geographical footprint in diversified channels such as business-to-business working capital solutions, commercial insurance premium financing, SBA lending, tax advance lending and other consumer finance solutions. Additionally, Meta is one of the founders of the ***Prepaid Industry*** and sponsors nearly half of all retail or non-bank ATMs in the United States. Moreover, CASH continues to be an industry leader in the payments field and consistently ranks as one of the top prepaid card issuers in the nation.

And then, 2018 happened – and as mentioned above, Meta's stock price performance was abysmal – declining 37%. While it is important to remember that the market as a whole experienced a major pull back in 2018, Meta also had a unique circumstance that impacted its balance sheet and income statement. The long and short of it being that Meta made strategic decisions to make various acquisitions (causing one-time merger related expenses), as well as hiring many extremely skilled and talented compliance and product specialists (predominantly highly compensated people) to support future growth in their distinctive, niche-oriented product lines. These outlays negatively impacted earnings; spooking investors in an already fragile market.

Adding to Meta's sharp decline was the uncertainty surrounding a change in leadership where, then President and CEO Tyler Haahr, announced his retirement. Upon hearing this news, it goes without saying that John was on one of the first flights to South Dakota to meet with Tyler and his successor, the current CEO, Brad Hanson. Following that meeting, we were not only confident in the company's outlook, we were excited by his vision. While Tyler feverishly worked to *build* Meta to the banking organization it is, Brad has the background and patience to optimize the various facets of the company and drive profits higher; *executing* upon all the available synergies from the platform which Tyler built.

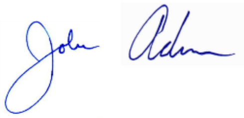
Believing in the leadership team and the value of the existing operations, we used last year's dip in stock price to acquire more shares. In fact, this is the only position that we hold in each of our three Funds. And even with share growth of 123% in the past year, we believe there is still more room for Meta to run. Raymond James ranks Meta as a "Strong Buy 1", its highest rating. There are 2020 and 2021 EPS estimates ranging from 3.47/3.93 to $3.35/$4.00, respectively. There is also a current price target of $43.00 with a premium valuation given due to its significantly above peer profitability and EPS growth expectations. Of course, there are no guarantees that the company will achieve that level of profitability, but, regardless, I hope you can see why we continue to be bullish about this company as a long-term investment in our Funds.

This recap serves as a perfect example of how we view a long-term investment. We did not panic when the stock price of CASH declined by more than the indices against which we benchmark ourselves. In fact, as noted above, we bought more stock! This action paid off handsomely and contributed to the excellent returns of our Funds in 2019. *We think and act for the long run*.

[1] Meta hit an intra-day low of $17.84 per share on March 25, 2019 closing that day at $18.15. The share price has rebounded closing as high as $39.75 on February 13, 2020. At the time of writing this profile, Meta Financial closed at $37.01 on February 25, 2020.

We hope this information is helpful to you. As always, if you have any questions or comments, we welcome your call to us at 574-243-6501. Or, shoot us an email to: john@rosenthalpartners.net or adam@rosenthalpartners.net

With warmest personal regards,



Fund 3 Q4 2019 Recap

Ticker	Quarterly Record EPS?	Total Assets ($bils)	Diluted EPS 4Q '19	Diluted EPS % Change from 3Q '19	Diluted EPS % Change from 4Q '18	Tangible CE / Tangible 4Q '19	Tangible CE / Tangible 4Q '18	Net Interest Margin 4Q '19	Net Interest Margin 4Q '18	NPAs + Loans 90+ Days PD / Assets 4Q '19	NPAs + Loans 90+ Days PD / Assets 4Q '18	Reserves / Total Loans 4Q '19	Reserves / Total Loans 4Q '18	Beta vs. S&P 500	Beta vs. SNL Bank
A		$1.7	$0.72	-19%	-4%	9.5%	8.9%	3.71%	3.95%	0.54%	0.66%	1.09%	1.07%	0.69	0.50
B		$2.5	$0.67	-14%	18%	9.6%	9.8%	3.63%	3.48%	0.18%	0.15%	0.72%	0.94%	0.75	0.69
C		$1.7	$0.47	7%	4%	10.0%	11.1%	3.25%	3.38%	0.29%	0.29%	1.19%	1.29%	0.57	0.47
D	Yes	$0.8	$0.75	21%	14%	11.9%	10.9%	3.27%	3.54%	0.02%	0.06%	0.95%	1.00%	0.59	0.20
E	Yes	$0.7	$0.56	17%	10%	9.7%	11.1%	4.52%	4.74%	0.82%	0.64%	0.92%	0.98%	0.07	0.05
F		$2.9	NA	NA	NA	12.3%	11.5%	3.29%	3.33%	0.62%	0.87%	1.28%	0.93%	0.01	0.00
G	Yes	$3.8	$0.69	1%	17%	7.1%	7.0%	3.62%	3.76%	0.65%	0.72%	0.69%	0.80%	0.91	0.88
H		$0.8	$0.95	-3%	4%	9.9%	9.9%	3.76%	4.04%	0.70%	0.46%	1.27%	1.08%	0.05	0.06
I		$2.9	$1.42	-10%	11%	8.9%	7.9%	3.22%	3.35%	0.20%	0.03%	0.82%	1.08%	0.34	0.20
J		$0.9	$0.55	6%	28%	7.0%	7.1%	3.78%	3.72%	0.01%	0.07%	1.31%	1.19%	-0.05	0.00
K		$0.9	$0.83	28%	38%	11.0%	11.0%	3.92%	4.07%	0.57%	0.83%	0.77%	0.90%	0.20	0.16
L		$1.0	$0.71	-11%	-5%	10.6%	9.5%	3.45%	3.61%	0.49%	0.64%	1.29%	1.33%	0.54	0.23
M		$1.7	$0.51	-25%	-9%	11.4%	10.9%	4.89%	5.39%	0.69%	0.13%	0.98%	0.86%	0.37	0.21
N		$3.8	$4.49	-4%	15%	14.4%	13.5%	3.78%	3.67%	0.72%	0.89%	0.96%	0.98%	0.10	0.02
O		$1.1	$0.59	-3%	20%	9.6%	8.6%	3.59%	3.63%	0.61%	0.29%	1.13%	1.18%	0.08	0.03
P		$1.2	$0.69	15%	35%	16.8%	15.9%	7.03%	7.14%	0.84%	0.67%	2.11%	1.58%	0.55	0.47
Q		$6.2	$0.56	6%	44%	8.1%	6.8%	4.97%	4.64%	0.49%	0.79%	0.78%	0.63%	0.81	1.20
R		$1.6	$0.69	-38%	0%	11.7%	12.8%	4.56%	4.80%	1.30%	1.73%	1.72%	1.92%	0.71	0.70
S		$1.2	$0.78	-11%	16%	9.9%	8.9%	3.11%	3.18%	1.34%	0.82%	1.20%	1.12%	0.08	0.05
T		$1.2	$0.18	-10%	-5%	10.2%	8.9%	4.25%	4.44%	0.47%	0.53%	1.29%	1.32%	0.78	0.98
U		$0.7	$0.30	-12%	67%	9.0%	9.2%	3.74%	3.76%	0.44%	0.62%	1.16%	1.18%	0.00	0.05
V		$1.5	$0.53	-17%	2%	11.9%	10.9%	3.86%	3.89%	1.22%	1.30%	1.23%	1.21%	0.15	0.09
W		$6.5	$0.75	-1%	-1%	10.6%	9.5%	4.43%	4.53%	0.36%	0.58%	0.71%	0.81%	0.79	0.77
Wtg. Avg.		**$1.8**		**-2%**	**13%**	**10.5%**	**10.0%**	**3.88%**	**4.00%**	**0.57%**	**0.57%**	**1.13%**	**1.14%**	**0.40**	**0.33**

Note: For certain performance metrics, if data was not available, consolidated and/or bank regulatory data may have been used.

Legend: Our color coded legend above gives an overview of GREAT, GOOD and BELOW PAR – but oftentimes does not tell the whole story. We do NOT adjust earnings for one-time events such as acquisition costs. So, a "red" in one quarter may end up being a bit misleading. Furthermore, given the lines of business for certain of our banks, there is some seasonality to income; which makes quarterly comparisons difficult. Green is outstanding and represents banks which have posted EPS increases of more than 5%, whose net interest margin is up and whose non-performing loans are down. Yellow is good and represents banks which have posted EPS gains within a range, up or down, of 4.9%. Red represents banks which have posted EPS declines of greater than 5%, had a decrease in their net interest margin or an increase in non-performing loans.

Finally, as always, past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable or equal to past performance levels.