



MONTHLY PERFORMANCE, NET OF FEES

December 2022

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	.82	1.86	(3.71)	(7.55)	(.07)	(8.49)	5.20	(.28)	(3.56)	5.51	2.89	(5.86)	(13.55)
2021	3.12	13.97	10.66	1.51	5.78	(4.11)	(2.26)	1.65	3.13	3.81	(.81)	2.57	44.90
2020	(7.28)	(8.74)	(34.61)	8.27	(5.65)	.89	(8.00)	1.94	(4.89)	13.78	19.51	7.41	(25.71)
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:

2022 was a volatile year in financial markets. Inflation rose to the highest level in four decades and in their resolve to tame inflation, the Fed enacted a series of aggressive rate hikes affecting all risk assets. After a decade long low interest rate environment, the marked shift in policy, caught both the equity and bond markets somewhat by surprise. Unfortunately, even in December, the “Santa Claus rally” failed to materialize. The Iron Bay Fund finished December down (5.86%) and (13.55%) for the year, outperforming the Nasdaq Bank Index which was (7.23%) for the month and (18.36%) on the year. The Russell 2000 was down (21.56%) for the year, the worst in over a decade.

As the year closed, pricing pressures moderated. The Fed views ongoing strength in the labor market as a key component to maintain higher rates and has reiterated the view that rates will be higher for longer. In the first few weeks of 2023, we have seen mixed employment data that if consistent, could give investors hope that we are nearing a peak in rates. Notably, the 10-year US treasury began 2022 at 1.5% and ended the year at an incredible 3.87%. Gradually rising unemployment may give the Fed a reason to be more dovish. Expect the Fed’s aggressive stance to continue into the 1st quarter, as financial reports affecting the economy start to roll in.

There are many key reportable events coming in the next few weeks starting with the ISM Manufacturing report and the jobs reports that everyone will be watching. When the FOMC meeting minutes are released, along with the varied employment numbers, we will then see if investor sentiment starts to change. We are expecting to see gradually rising unemployment figures that may signal to the Fed to relax their hawkish language going forward.

Bank stocks began the year strong, narrowly outperforming the broader markets by the end of the year. The decisions by the Federal Reserve to aggressively raise interest rates throughout the year, along with the persistent fears about a turn in credit quality, created a more challenging environment for bank stock investing. Banks have tightened underwriting standards even as demand has not appeared to have slowed. Banks with balance sheet strength, adequate reserves and the ability to cheaply fund organic loan growth, were rewarded and will continue to be better performers into 2023. Going forward, deposit beta’s will be crucial along with interest rate positioning. The need to maintain core deposits should support M&A in the new year. Bank consolidation fell materially in 2022 against a challenging backdrop.

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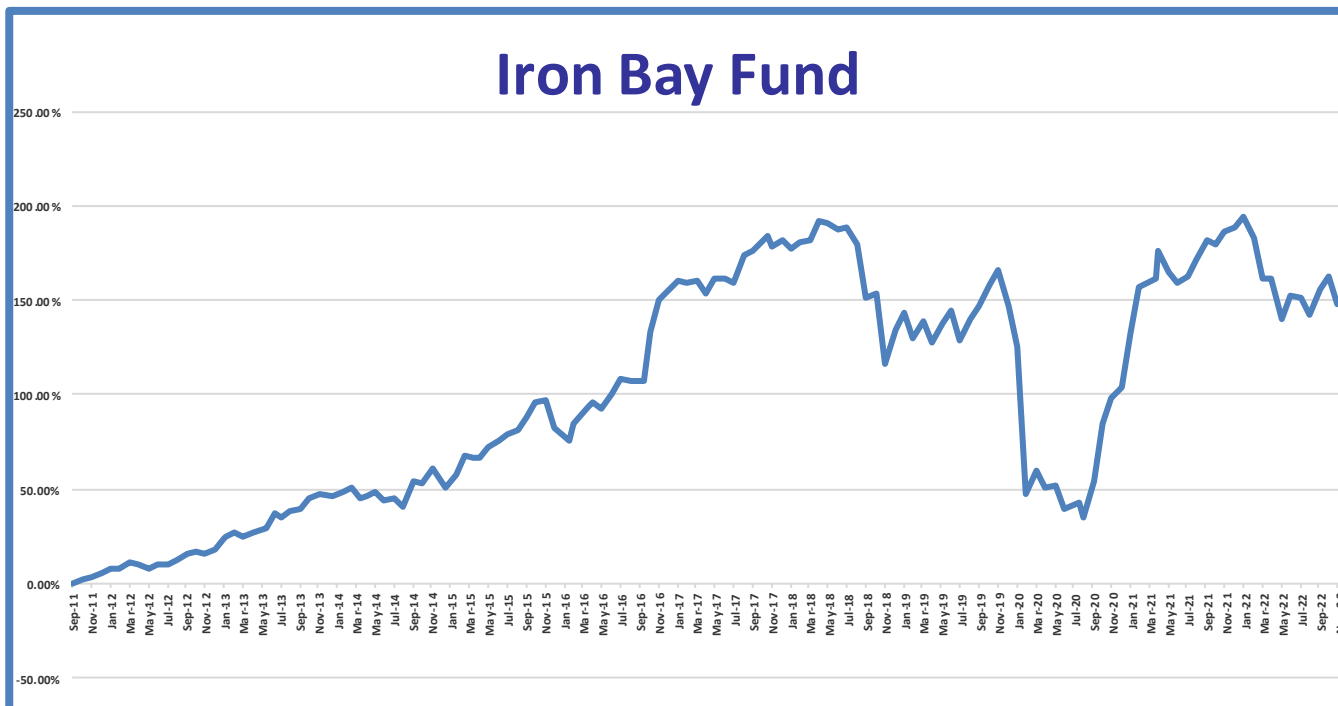
We believe economic trends will play more of a factor in individual bank performance in 2023. The slide in bank stock valuations in 2022, is hard to ignore from a price-to-earnings basis, and a price to book basis with some banks trading at an average of only 9x’s 2024 estimates. We think there is value re-appearing in the SMID-cap space and we will be positioned accordingly to take advantage, while maintaining short positions for expected volatility.

Data continues to be mixed and we expect 2023 will be much of the same. We agree with consensus that rates have near peaked and that investors will continue to be in a wait-and-see mode before putting risk back on. In addition to Fed communications, we are focused on the Russian/Ukraine situation, Chinese Covid lock-downs, domestic politics, and global developments that can impact investor sentiment. Even though there is no direct correlation, macro events will impact investor sentiment.

In 2022 there were a total of 168 whole bank M&A transactions versus the 216 reported in 2021, a difference of (22%). Prices paid has stayed relatively in-check, but the fall-off in volume is telling. As weaker banks muddle along, conversations in the boardroom have increased and are focused on strategic alternatives. Companies that have ignored or underinvested in technology, are now behind the necessary capital expenditure pace and will have no choice but to find a partner.

As the dust settles on a difficult year of performance, we remain optimistic that M&A will accelerate, and community banks will benefit. The Iron Bay Fund started the year at the high watermark, and we believe new highs are attainable. If you would like to learn more about the Fund and our outlook for 2023, please let us know. Happy New Year, good riddance 2022.

HISTORICAL GRAPH:



RETURN DATA:

<i>Total Return Since Inception</i>	+148.07%
<i>Annualized Return from Inception</i>	+8.35%
<i>Average Monthly Return</i>	+.84%
<i>Std. Deviation of Monthly Return</i>	+5.61%
<i>Sharpe Ratio Since Inception</i>	.39
<i>Beta Since Inception vs. S&P 500</i>	.60

	IRONBAY FUND, LP	NASDAQ BANK INDEX	RUSSELL 2000
<i>December 2022</i>	(5.86%)	(7.23%)	(6.64%)
<i>Year-to-Date</i>	(13.55%)	(18.36%)	(21.56%)
<i>Last 3Y (Annualized)</i>	(2.37%)	+64%	+1.82%
<i>Last 5Y (Annualized)</i>	(2.33%)	+29%	+2.78%
<i>Inception (Annualized)</i>	+8.35%	+8.90%	+8.13%

* Iron Bay Fund, LP returns are reported net of all 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 U.S. 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.