

**MUNICIPAL MARKET STATISTICS**

	01-01-20	12-01-19	01-01-19	01-01-17	01-01-15
10-Year AAA MMD Municipal	1.45	1.48	2.28	2.33	2.06
10-Year US Treasury	1.93	1.77	2.73	2.47	2.17
10-Year Muni vs. Treasury	75%	84%	84%	94%	95%
Open End Fund Flows YTD	\$91B	\$80B	-\$240M	\$35B	\$18B
New Issue Calendar YTD	\$416B (est)	\$378B	\$339B	\$445B	\$339B

In many ways, 2019 can be characterized as a year of extremes: Record inflows to municipal funds (\$91B) as well as high yield funds (\$19B), a record 51 consecutive positive weeks of inflows, 10-year Municipal vs Treasury ratios touching historic lows, an inverted 2 to 10-year Treasury curve, 3 successive rate cuts by the Federal Reserve coming on the heels of a December 2018 rate hike and continual record highs for the S & P 500, NASDAQ and Dow Jones Indices following a tumultuous Q4-18.

**LIND CAPITAL PARTNERS COMMENTARY**

**The Quarter, the Year.** One of the primary factors driving the above-referenced record demand for municipals was that the municipal bond market provides one of the last shelters for current income from federal taxation. Limits on taxpayer deductions for state and local tax (SALT) drove investors to seek out tax exempt municipals, at almost any cost. Resultant demand for municipal bonds drove the 10-year AAA Municipal vs Treasury ratio down to 71% during May, an all-time low. While the richness abated somewhat, the ratio still ended 2019 at 75% versus 84% at the close of 2018. When viewed versus **90.5%**, the average ratio of the prior 5 years, investors may conclude that the asset class is rich and should return to historical relationships, or not. Regardless of the conclusion investors reach, they should remain cautious investing in the high-grade municipal market.

With the HY municipal sector seeing the similarly outsized demand, the LCP PM and Research Teams maintained their disciplined approach to investing. When the traditional Q4 seasonal supply glut arrived and HY municipal yields rose to accommodate the supply, LCP was well positioned to act. Cash from both new and existing investors, combined with select relative value swaps, allowed us to deploy capital opportunistically. From October 1<sup>st</sup> through December 31<sup>st</sup> our average purchase yield exceeded 6.00%. LCP's blended 5.50% YTW threshold prior to investing means that a maximum tax bracket investor needs to generate greater than 9% on a taxable investment to breakeven with LCP's initiating tax-exempt yield.

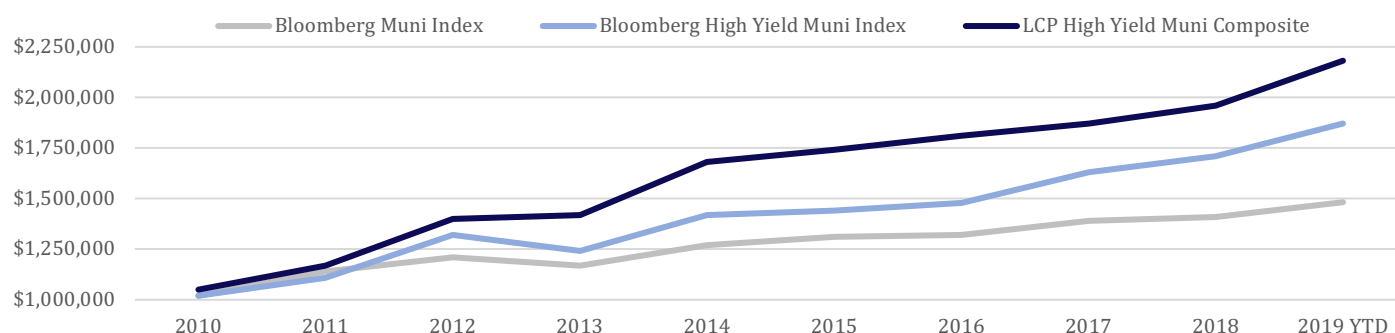
**Sector Performance.** Outsized demand led to positive municipal index performance in 2019 (LMBITR 7.5%+ and LMHYTR 10.6%+). At LCP all sectors were positive contributors to returns. Preliminarily, economic development, charter schools and the higher education sectors were our better performers. Names like PR COFINA, International Leadership of Texas and Ohio Dominican University provided both income as well as price performance in their respective sectors. LCP's primary investment objective is to generate high levels of federally tax-exempt income; price appreciation is often a significant byproduct from our exhaustive credit analysis, bond selection and surveillance process.

In early 2020 we will analyze the performance of all high yield municipal market sectors and specifically, LCP portfolio contributions from our chosen market sectors. What LCP does not purchase, and why, is as important as what we do purchase.

**Calendar Year 2020.** At LCP, we expect continued investor demand in the municipal HY sector in 2020. Most forecasts call for \$430MM to \$450MM of new municipal supply next year. A \$450MM new issue municipal calendar would make the 2020 the second largest issuance year in history, resulting in plenty of choice for investors to engage in our HY universe. *(LCP is currently reviewing several deals expected to be priced in January).* In 2019, taxable municipals were often used to re-finance tax exempt debt (roughly 20% of 2019 new issue volume) and we anticipate that trend to continue in 2020.

**Conclusion:** Credit selection, sector allocations, pro-active credit oversight, bond structure and investor covenant analysis are all foundational to LCP's approach to HY Municipals. Continued focus permits LCP to generate high levels of tax-exempt income in what we view as the most inefficient and opportunistic segments of the HY market.

**LIND CAPITAL PARTNERS HIGH YIELD MUNICIPAL STRATEGY (THROUGH SEPTEMBER 30, 2019)**



The chart above shows the increase in value of \$1,000,000 invested in the LCP composite at inception vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). Please contact us with questions regarding credit profile, returns, taxable equivalent yields or further portfolio information. Past performance is not indicative of future results. Please see additional important disclosures.

## DISCLOSURE

*Past performance is not indicative of future results. An investment in the Lind Capital Partners Municipal High Yield strategy is not suitable for all investors. Investing involves risk, and municipal instruments can be affected by adverse political and economic conditions. The material contained herein is provided for informational purposes only and is not financial advice, should not be construed as an offer to buy, hold, or sell any security or to invest in the strategy, and may contain information from third party sources Lind Capital Partners, LLC (LCP) believes to be accurate. Any offer for investment in the LCP limited partnership vehicle will be made exclusively to qualified investors on a private placement basis, and only by means of a private placement memorandum, which contains detailed information concerning investment terms. LCP is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration as an investment advisor does not imply a certain level of skill or training. The borrowers identified and described in this communication are intended to illustrate certain concepts employed by LCP in the management of its High Yield Municipal Strategy. The borrowers identified do not represent all of the securities purchased, sold or recommended for client accounts and certain data, such as the purchase price, may not be indicative of an individual client's actual experience. The reader should not assume that an investment in the securities identified was or will be profitable. LCP's opinion of a borrower's prospects should not be considered a guarantee of future events. Performance information (time-weighted rate of return) pertains to the period ending 9.30.19 and includes realized and unrealized gains and losses; is net of actual advisory fees and transaction costs and is total return, including distributions to Limited Partnership investors where appropriate. Performance measured by Cortland Capital Services, Clearwater Analytics, NAV Consulting, ICE Data Services and Bloomberg. Opinions expressed are those of LCP and should not be considered a forecast of future events or a guarantee of future results. Opinions and estimates offered constitute our judgment as of the date set forth above and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. All material presented is compiled from sources believed to be reliable, but no guarantee is given as to its accuracy.*