LIND CAPITAL PARTNERS

Municipal Market Statistics

January 2023

	01-01-23	12-01-22	01-01-22	01-01-20	01-01-18
10-Year AAA BVAL Municipal	2.62%	2.73%	1.04%	1.47%	1.99%
10-Year US Treasury	3.88%	3.61%	1.51%	1.92%	2.41%
10-Year Muni vs. Treasury	68%	76%	68%	76%	83%
IG Fund Flows YTD	($101.1B)	($92.3B)	$1.4B	$3.1B	$8.6B
HY Fund Flows YTD	($20.5B)	($19.6B)	$0.9B	$0.6B	$6.1B
IG (LMBITR) Total Return YTD	(8.53%)	(8.79%)	1.52%	7.54%	5.45%
HY (LMHYTR) Total Return YTD	(13.10%)	(12.96%)	7.77%	10.68%	9.69%
New Issue Calendar YTD	$361B	$339B	$463B	$411B	$409B

Lind Capital Partners Municipal Market Commentary

Happy New Year, thankfully 2022 is finally behind us. December provided a quiet close to an extremely volatile year marked by historic negative performance in many asset classes. The municipal market, as measured by 10-year AAA rates, rallied slightly in December but closed the year with 10-year and 30-year rates 157 bps and 195 bps, respectively, higher than a year earlier. This represents the most significant rise in municpal rates over the past 10+ years. In addition to the historic rise in rates has been the historic level of mutual fund outflows throughout 2022. According to Lipper Analytics, municipal bond funds, excluding ETFs, experienced $148B of outflows in 2022. Municipal ETFs were a relative bright spot garnering $26B in inflows. Municipal high yield funds also saw record outflows, totaling $20B in 2022. For investors looking for some "*good news"* in municipal market performance through 2022, the market did experience a sense of stability following the dramatic selloff in October. Since October 26th, 10-year and 30-year AAA rates have rallied 77 bps and 56 bps, resepectively. Additionally, while 2022 municipal market performance is generally viewed as the worst year in decades, the municipal market still outperformed most other fixed income and equity asset classes.

Lind Capital Partners Municipal High Yield Market Commentary

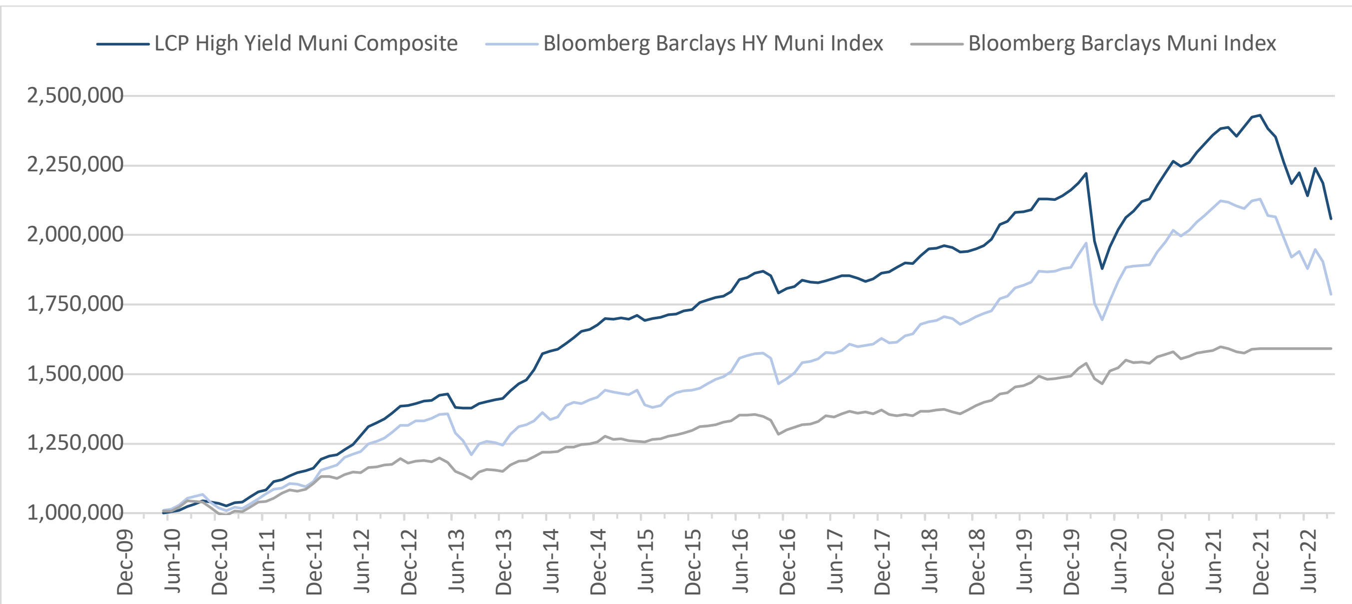
Looking back over 2022, there were many market events that we expected, as well as a few surprises. Along with most market participants, we expected the Federal Reserve to embark on a tightening cycle and the impact it would have on the municipal market. However, we were surprised by the magnitude and rapidity of the tightening campaign with the benchmark rate rising from 0.25% to 4.50% from March to December. In most rising rate environments, retail municipal investors respond by redeeming mutual fund shares in open-end mutual funds. As noted above, retail investors pulled nearly $150B from open-end mutual funds. As a result, secondary municipal market activity in 2022 was 2x secondary market activity in 2021. At times, secondary volume exceeded 4x prior year activity. Except for brief periods in March and October, the mutual fund liquidation process appeared relatively orderly. Mutual funds, generally, did not appear to "*force the issue"* during periods of extreme market illiquidity. As expected during these periods, we saw extraordinary investment opportunities 100-200+ basis point discounts to prior trading levels. However, the orderly market sell-off stifled the frequency of these opportunities. We attribute this to a dramatic slowing of new issue supply in the new rate environment, which dramatically eased market pressure and perhaps, facilitated better portfolio management. Finally, the credit environment in our target sectors played out largely as we expected. The combination of a strong economic environment, waning pandemic effects and substantial federal COVID relief funds provided a strong underlying fundamental credit framework for our borrowers. We also anticipated and prepared portfolios for the effects of persistent inflation on credit. Cost inflation, as well as continued labor market stress, is a credit risk that we continue to closely monitor.

Looking ahead to 2023, we expect continued market volatility, although likely less extreme than 2022. We expect to remain in this general rate environment until there is market consensus regarding a Fed pivot or potential recession. Since our founding in 2010, when the high yield market has experienced sharp increases in rates (Meredith Whitney, Taper Tantrum or Trump Election) it has also responded with sharp reversal in rates downward. This usually coincides with significant retail inflows, once retail investors feel it is "safe" to return. We have already seen sophisticated retail investors taking advantage of the current rate environment via SMA portfolio growth. However, retail investors are largely still on the sidelines. Clearly, investors need to be willing to endure inevitable volatility, but the ability to "lock-in" today's rates for the next 10-30 years in compelling, particularly given where rates have been over the past 5+ years.

We remain constructive on the credit outlook for our target investment sectors. We will continue to monitor the impact inflation and labor market stress has on our borrowers and incorporate the impact of a potential future recession. We believe the relative essentiality of our sectors provides our borrowers a degree of insulation from a slowing economy or recession and should provide continued credit stability in the coming year.

Finally, there are significant investment opportunities for investors in our market today. Given the current interest rate and economic environment, wealth advisors and investors are contemplating tweaks to their asset allocations. Many portfolios are flush with liquidity, either from year-end tax loss selling or building a conservative cash position through 2022. Given where interest rates have been over the past 5+ years, the current market offers an attractive entry point for long term investors. At current rates, non-rated municipals can be used not only as a yield-enhancing compliment to investment grade fixed income portfolios, but also to significantly reduce equity risk exposure without sacrificing return expectations. Long-term, sophisticated investors who understand the dynamics of our market can benefit by acting before the retail fund flows reverse. We welcome the opportunity to explore how our strategy might fit for you and your clients and detail the current market opportunity from our perspective.

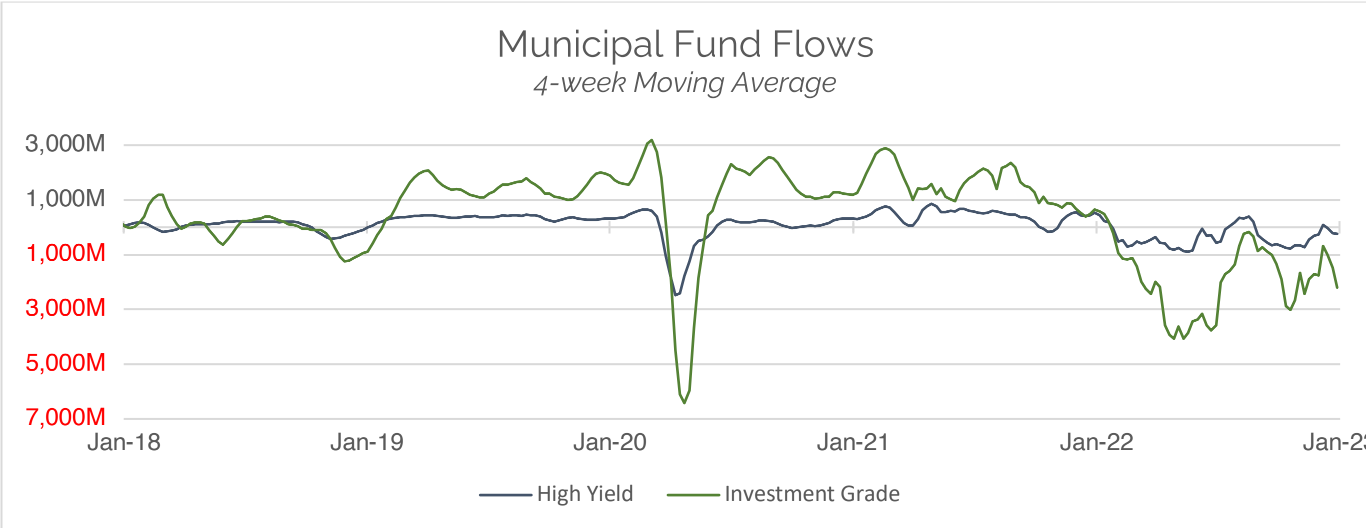
Lind Capital Partners Municipal High Yield Strategy (through September 30, 2022)

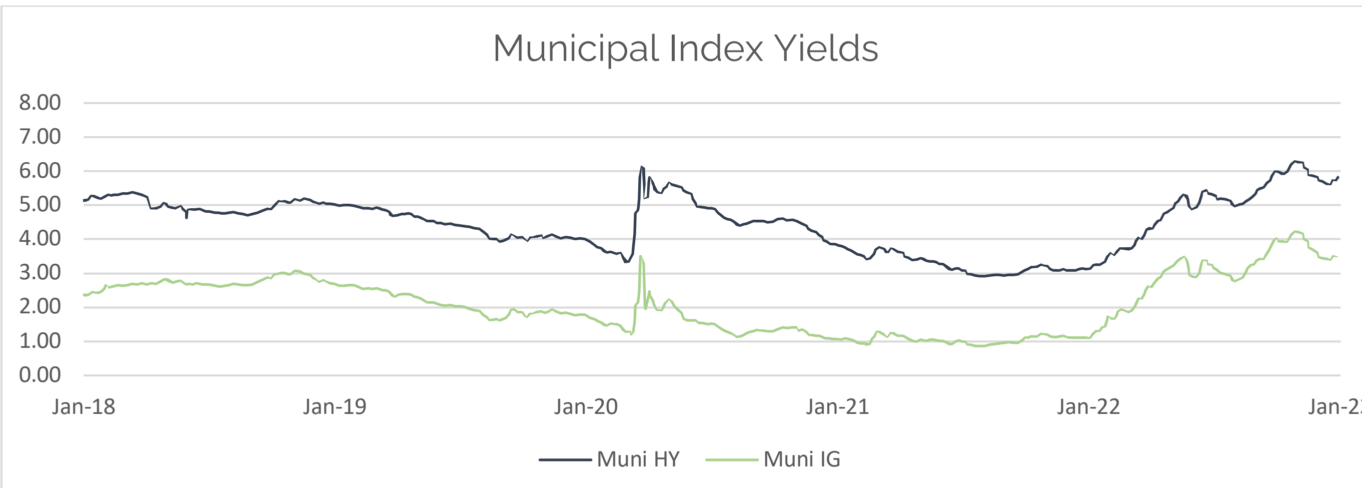


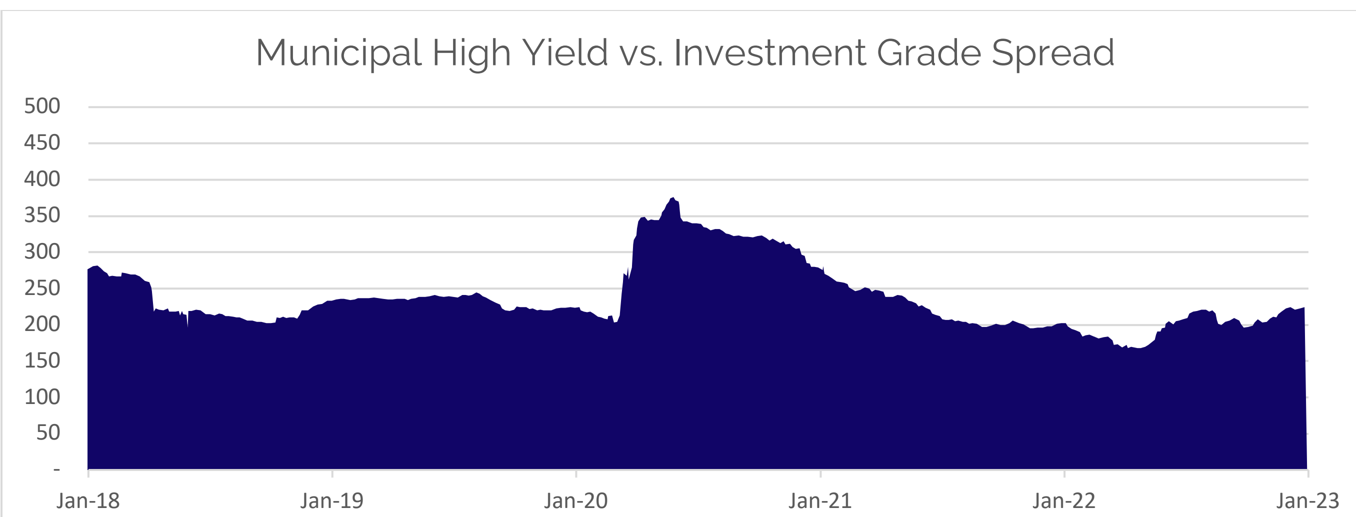
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index).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

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. Performance information (time-weighted rate of return) is provided for the LCP High Yield Muni Composite (Inception May 1, 2010) which is comprised of all fully discretionary accounts managed in the LCP High Yield Muni Strategy. Performance returns include realized and unrealized gains and losses; are calculated total return, net of actual advisory fees and transaction costs, including distributions to Limited Partnership investors where appropriate. Refer to LCP's Form ADV Part 2A for additional information related to advisory fees and services. This document is publicly available and upon request by contacting: Info@LindCaptialPartners.com. 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.







Sources: Refinitiv and Bloomberg LP