LCP LIND CAPITAL PARTNERS

Municipal Market Statistics

February 2024

	02-01-24	01-01-24	02-01-23	02-01-21	02-01-19
10-Year AAA BVAL Municipal	2.44%	2.25%	2.22%	0.68%	2.17%
10-Year US Treasury	3.95%	3.88%	3.51%	1.08%	2.63%
10-Year Muni vs. Treasury Ratio	62%	58%	63%	63%	82%
IG Fund Flows YTD	($0.4B)	($17.3B)	($3.2B)	$9.4B	$0.5B
HY Fund Flows YTD	($0.2B)	$1.1B	$1.5B	$1.9B	$1.2B
IG (LMBITR) Total Return YTD	(0.88%)	6.40%	(5.90%)	5.91%	0.76%
HY (LMHYTR) Total Return YTD	(1.02%)	9.21%	(9.24%)	7.10%	0.67%
New Issue Calendar YTD	$30B	$365B	$23B	$26B	$20B

Lind Capital Partners Municipal Market Commentary

- ***Municipal Market Performance*:** After the torrid performance in November and December to finish 2023, the municipal market gave back some ground in January with the Bloomberg Municipal Bond Index (LMBITR) posting a loss of (0.88%). The Muncipal High Yield Index fared no better, recording a negative return of (1.02%) this month.
- ***AAA Municipal Benchmark Rates*:** Following the Treasury market's lead, municipal rates reversed course in January as yields on the AAA muni benchmark curve rose by 18bps in 5 years, 19bps in 10 years, and 22bps out in 30 years. After a meaningful rally to close the month, US Treasury yields outperformed, falling by 1bp in 5 years, rising 7bps in 10yrs, and another 14bps in 30 years.
- ***Mutual Fund Flows*:** Open-ended municipal mutual fund flows began the year on a much more constructive note, experiencing 3 straight weeks of inflows, totaling $1.1bn. High-yield mutual funds followed an identical path, experiencing inflows all 3 weeks, also totaling $1.1bn.
- ***Primary Market Supply*:** Municipal supply is slated to finish the month at roughly $32bn (up +16% vs the trailing 5-year monthly average). As is traditional, non-rated borrowers began the year at leisurely pace, with little volume to test market levels. Looking ahead, we expect to see increased supply YoY as the market continues to absorb a growing pipeline and borrower comfort level with current rates & relative volatility increases.

Lind Capital Partners Municipal Non-Rated Market Commentary

One of the most fun and enjoyable aspects of working with sophisticated investors is having conversations with them. Their questions and insights provide a window into their goals, priorities, and often the concerns and challenges they face. These conversations also help us articulate what we love about the Non-Rated Municipal Market and how our strategy might help them achieve their goals and address their challenges. Now that we are back out on the road (or, sitting on tarmacs for hours waiting for planes to de-ice), we thought we would share a few recurring questions and topics that arise in our meetings.

Why are these bonds non-rated?

- Non-rated deals are smaller and issued on behalf of 501(c)3 non-profit organizations. Ratings can be expensive from both an initial and ongoing financial and human capital perspective. Borrowers often have strong community support, which often includes investors in the debt issued. While the borrower's financial profile might warrant a rating, often there is not enough benefit in improved cost of capital to outweigh the costs associated with obtaining a rating.

But default risk must be high, right?

- Not necessarily. We believe that default risk on non-rated deals can be managed through exhaustive due diligence and surveillance. If we see signs of credit deterioration, we will sell our position and move on before the trouble arrives. If defaults do occur, we have a thesis behind staying in the position. Over our 13-year history, the cumulative principal loss resulting from defaulted positions has been (0.3%)[1].

[1]Cumulative principal loss equals total principal loss due to default relative to total principal purchased.

How does your strategy fit within an overall portfolio?

- We typically see allocations from two distinct "*buckets*". First, as a yield enhancement to an investment grade portfolio, without significantly increasing portfolio volatility. As a rule of thumb, we expect to generate an additional 300-350 basis points of tax-exempt income on an annual basis over an investment grade municipal portfolio. Second, as a vehicle to de-risk equity exposure without sacrificing return expectations. The strategy's annualized return of 6.18% since inception[2], which includes tax-exempt interest, exceeds a 10%+ taxable equivalent return for maximum tax bracket investors, with 60% less volatility than the S&P 500 over the same period.

Why did you choose your investment vehicle structures (SMA and Interval Fund)?

- Access to the high yield and non-rated municipal market is largely limited to open-end mutual funds and ETFs. We believe there is a fundamental mismatch between the liquidity provided by these vehicles (daily) and the liquidity of underlying assets. As an example, we often pose the question "*Do you have an idea of how much your house or condominium is worth? How different would that price be if you needed to close (for cash) in **two days**?"* Everyone agrees, substantially different prices. During periods of market dislocation traditional funds are often forced to sell into highly illiquid markets to meet redemptions, causing price distortion to the detriment of the remaining investors. We believe the SMA and Interval Fund structures 1) provide long-term investors protection during periods of dislocation, and 2) allow our portfolio management team to play offense during these times, exploiting price dislocations.

Common Theme: "The Cash Conundrum"

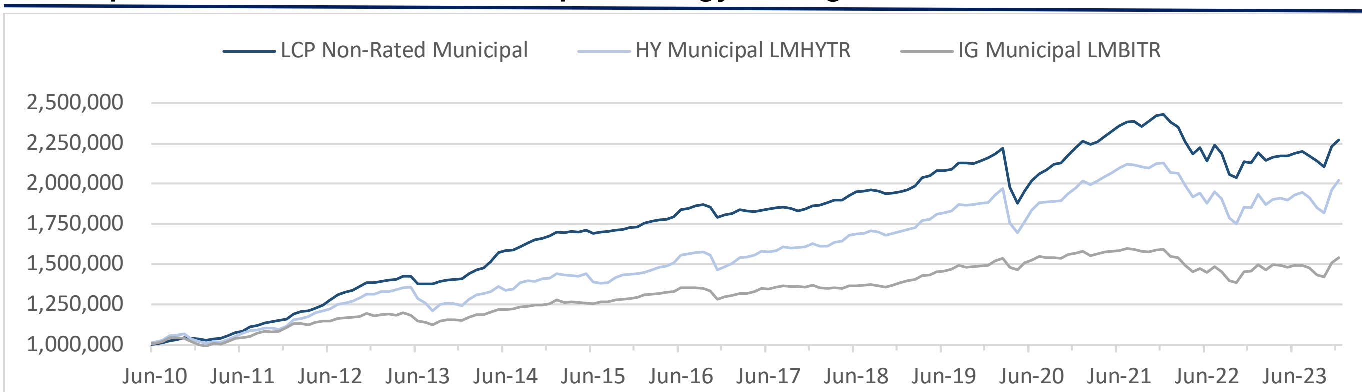
- After over a decade of zero-rate policy, short-term risk-free assets and money market instruments finally offer meaningful yield. This has led to some complacency. Universally, we have heard that advisors and investors are exploring different avenues to deploy the cash that has been hiding out in cash. The opportunity cost and potential reinvestment risk of holding cash is growing and threatens to have significant impact for long-term investors.

After the rally in November & December, did I miss the opportunity?

- Short asnwer – No. While the strong finish to 2023 may have pulled some of this year's performance forward, the opportunity set in the non-rated municipal market remains very compelling. The non-rated market has lagged the broader high-yield market, with yields remaining at historically attractive levels. We expect the opportunity to persist until there is a clear and sustained shift in the direction of rates from the Federal Reserve. We will continue to capitalize on intermittent bouts of rate volatility, providing investors the opportunity to "lock-in" these historically attractive yields.

[2] June 1, 2010 through December 31, 2023

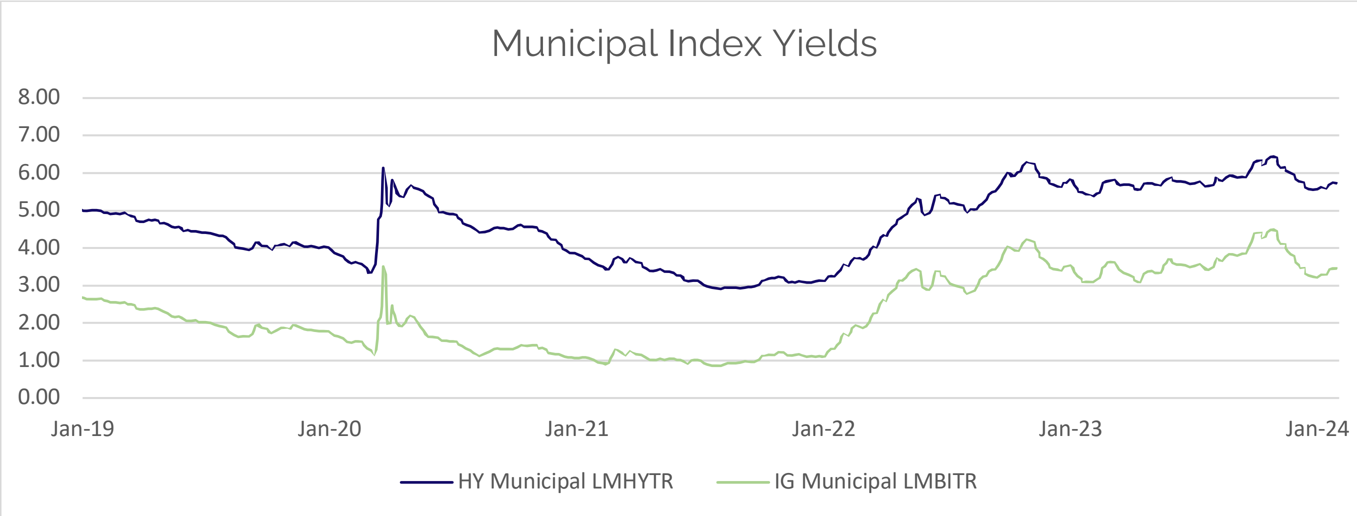
Lind Capital Partners Non-Rated Municipal Strategy (through December 31, 2023)

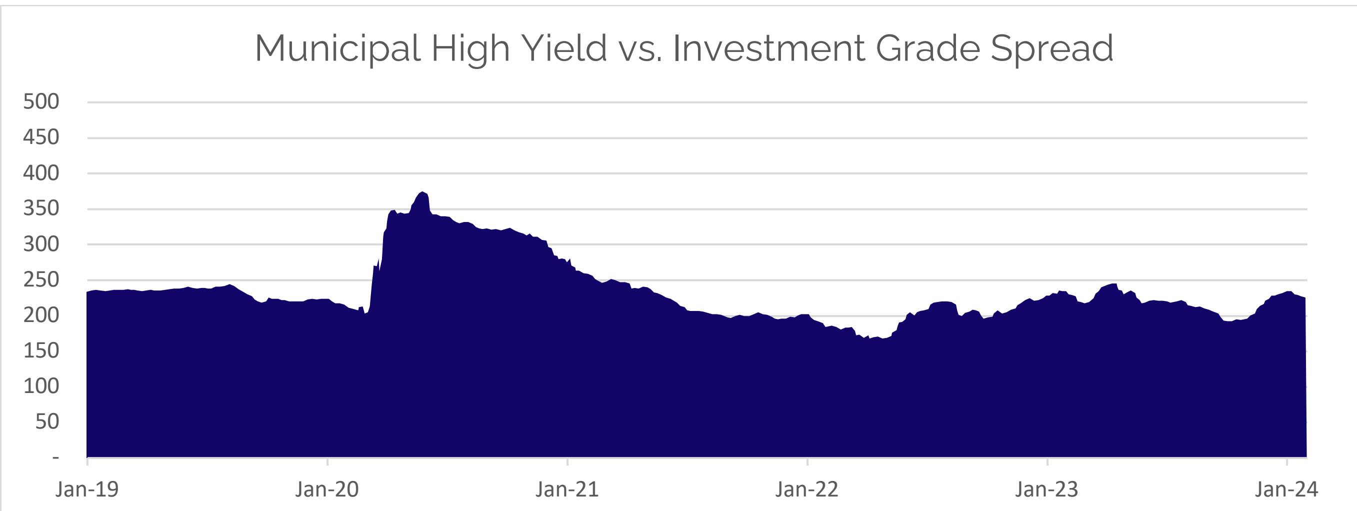


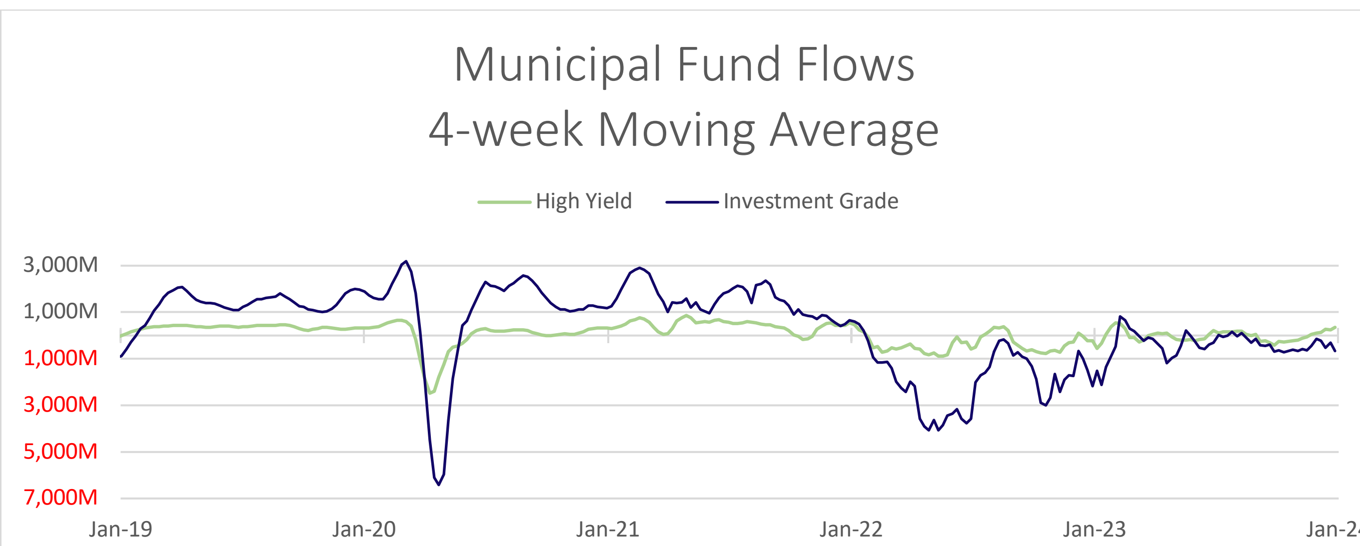
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). 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 Non-Rated Municipal 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 Non-Rated Municipal 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. Taxable equivalent yield = (Tax-Exempt Yield)/(1-Federal Tax Rate).







Sources: Refinitiv and Bloomberg LP