

MUNICIPAL MARKET STATISTICS

	03-01-21	02-01-21	03-01-20	03-01-18	03-01-16
10-Year AAA BVAL Municipal	1.11	0.69	0.96	2.47	1.76
10-Year US Treasury	1.41	1.07	1.16	2.84	1.75
10-Year Muni vs. Treasury	79%	64%	82%	87%	101%
IG Fund Flows YTD	\$15.1B	\$14.0B	\$26.2B	\$5.6B	\$9.8B
HY Fund Flows YTD	\$4.2B	\$2.5B	\$4.8B	(\$344M)	\$2B
New Issue Calendar YTD	\$52B	\$24B	\$75B	\$39B	\$57B

LIND CAPITAL PARTNERS MARKET COMMENTARY

Volatility returned to fixed income markets in February as yields rose significantly. By mid-February, a muted new issue supply environment combined with strong fund inflows drove 10-year AAA municipal vs UST rates to a historically rich ratio of 54% compared to an average of 97% over past 10 years. 10-year AAA municipals experienced a dramatic selloff over the last 2 weeks of the month (45 bps). As of February 28th, 10-year AAA municipals have generated a negative total return of (3.6%) YTD. 10-year treasuries have generated a negative total return of (4.2%) over the same time frame. For months LCP has warned investment grade fixed income markets with any measure of duration were priced to perfection with a risk/reward profile heavily weighted towards risk. In today's rising rate and curve steepening environment we believe it will be challenging for 10-year AAA municipals or US Treasuries to return to prior market levels by year end.

Alternatively, LCP's Municipal High Yield Composite has returned 1.08% and the Bloomberg Barclays Municipal High Yield Index (LMHYTR) has returned .95% YTD. LCP estimates investors can initiate today in our high yield product at 5.25% federally tax-exempt. LCP believes a high yield municipal portfolio provides investors greater protection against rising rates, insulation from rising inflation and a hedge against the prospect of rising federal tax rates than an investment grade portfolio. Investors in the maximum federal tax bracket must generate nearly 9.00% pre-tax to match LCP's initiating tax-exempt yield. With the 30-day visible new issue supply totaling \$13.1B, the highest of 2021, and fund flows turning negative, we anticipate more market volatility with several new deals scheduled to price that will likely meet LCP's credit and yield parameters. An opportune time to invest and deploy capital.

High yield corporate investors are moving into high yield municipal bonds given the absolute yield levels of each market. The HY Municipal Index finished February 105 and 113 basis points behind its 1 and 3-year average spread, respectively, versus the HY Corporate Index. The lag is statistically significant and holds the potential to widen considerably.

LIND CAPITAL PARTNERS CREDIT SNAPSHOT

Deal: Clifton, Texas Higher Education Finance Corporation International Leadership Texas (ILT) Charter School.

Background: LCP first purchased ILT in 2018 when the school issued \$350 million of revenue bonds to finance the acquisition of multiple facilities that ILT had previously been leasing. Our initial due diligence highlighted what we viewed as credit strengths: multiple campuses in diverse locations; positive operating results; strong enrollment and waiting lists; local and statewide support for charter schools; a 10-year charter renewal; and a responsive management team.

LCP View: As important as initial due diligence, comprehensive ongoing credit surveillance is critical for successful management of high yield portfolios. LCP first profiled ILT in our October 2019 Note. As we referenced in our Note ILT was in the news (WSJ 09-21-19) along with an Oklahoma Development Finance Authority issue for Provident - Cross Village Student Housing. We noted *"Thematically the article spoke to speculative municipal deals, outright defaults, issuers tapping cash reserves to make debt service payments. A reader of that article may infer that both issues are troubled."* We strongly disagreed with the theme of the article at the time and continued to closely follow ILT as a core portfolio holding. Interestingly, Provident – Cross Village, a deal LCP passed on at issuance, failed to make their interest payment in August 2020.

LCP has been impressed with the management of ILT and the corresponding financial improvements since our initial investment in the credit. As of December 2020, ILT had 21,000 students and a waitlist of nearly 2,800 students. For FY20, operating revenue increased 11.5% compared to operating expenses up 7.7%. For the six months ended December 31, 2020, debt service coverage was 1.65x vs. 1.10x mandated coverage level. LCP is acutely aware of the recent storms and resulting power outages across ILT's service areas and are monitoring the impact to ILT as well as other Texas holdings.

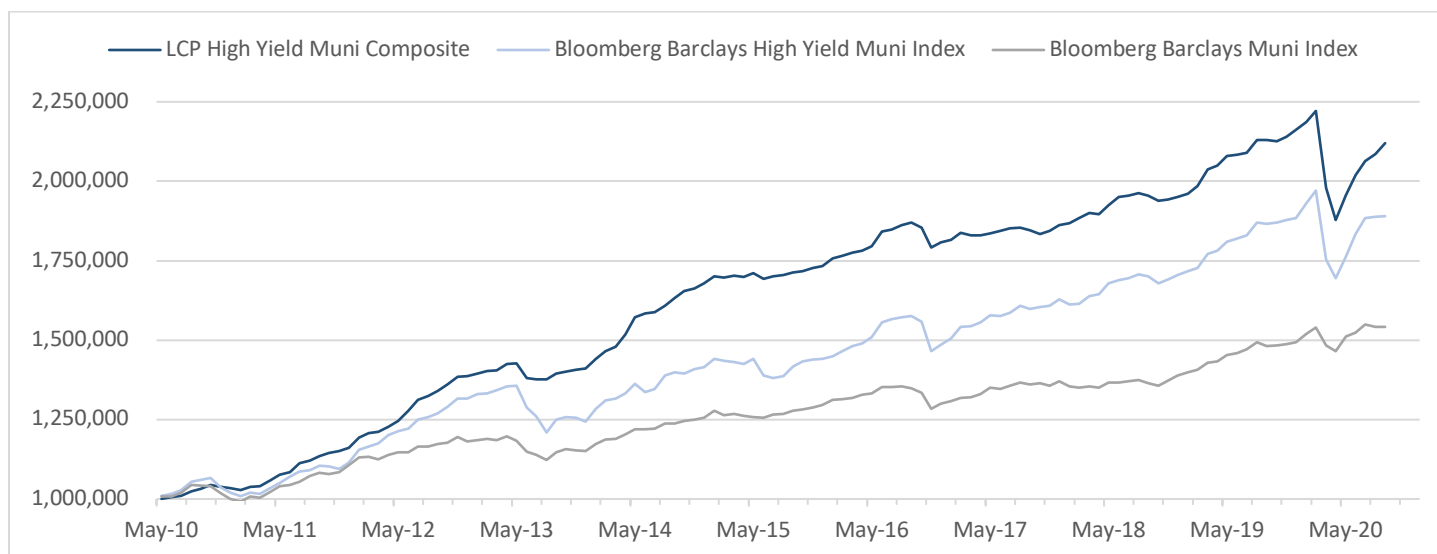
In January 2021, Moody's Investors Service assigned an initial rating of Baa3 with a stable outlook on ILT's upcoming \$47 million issue to finance the acquisition of additional facilities. The investment grade rating is significant because it qualifies the ILT new issue for participation in the Texas Permanent School Fund (Aaa/AAA/AAA), substantially lowering the school's

cost of capital. While the investment grade rating does not immediately affect outstanding debt, the prospect of advance refunding increases dramatically.

Conclusion: Credit is the foundation of our high yield portfolios. Initial due diligence, while important, is only the beginning of the process at LCP. Ongoing surveillance is critical for successful portfolio management. Traditionally, surveillance is thought to identify negative credit issues before they become acute. Identifying positive credit trends is important as well, because they can lead to total return performance and/or relative value trading opportunities. Currently, outstanding ILT debt is evaluated at 2.43% or \$115.57, with additional upside potential, in our opinion. We are happy to discuss this in greater detail as well as other borrowers, sectors or market trends.

Milestone: As of December 2020, LCP celebrated its 10th consecutive year of annual, positive total return. While always confident that our disciplined approach to the high yield municipal market was sound, we are grateful to see our investment thesis confirmed over an extended period of time.

LIND CAPITAL PARTNERS HIGH YIELD MUNICIPAL STRATEGY (THROUGH DECEMBER 31, 2020)

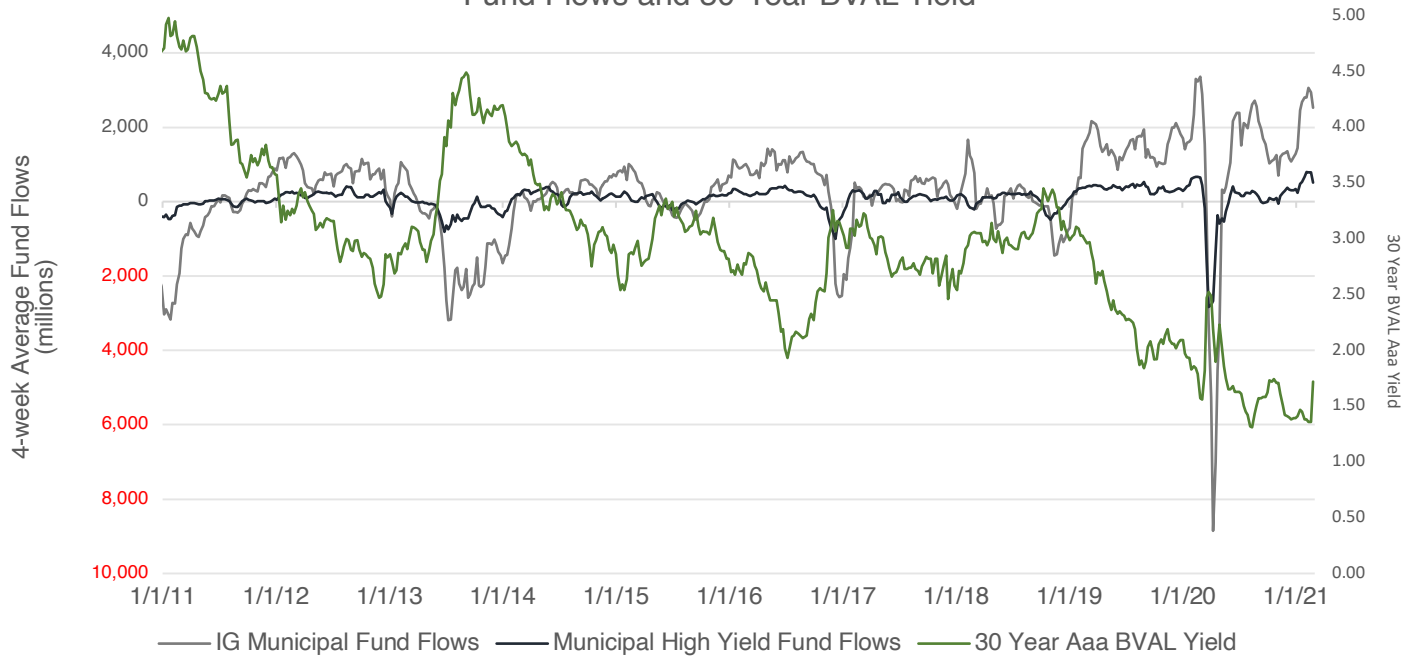


The chart above shows the increase in value of \$1,000,000 invested in the LCP composite at inception vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). Please contact us with questions regarding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

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 adviser 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 September 30, 2020 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.

Fund Flows and 30-Year BVAL Yield



High Yield and Investment Grade Municipal Yields



High Yield vs. Investment Grade Municipal Yield Spread

