

## Municipal Market Statistics

March 2024

	03-01-24	02-01-24	03-01-23	03-01-21	03-01-19
10-Year AAA BVAL Municipal	2.53%	2.44%	2.62%	1.11%	2.12%
10-Year US Treasury	4.27%	3.91%	3.93%	1.42%	2.72%
10-Year Muni vs. Treasury Ratio	59%	62%	67%	78%	78%
IG Fund Flows YTD	\$1.4B	\$2.9B	(\$2.4B)	\$20.7B	\$5.8B
HY Fund Flows YTD	\$3.2B	\$1.9B	\$1.1B	\$4.8B	\$2.7B
IG (LMBITR) Total Return YTD	(0.48%)	(0.51%)	0.55%	(0.95%)	1.30%
HY (LMHYTR) Total Return YTD	0.08%	(0.46%)	1.16%	1.07%	1.22%
New Issue Calendar YTD	\$55B	\$29B	\$41B	\$61B	\$45B

## Lind Capital Partners Municipal Market Commentary

- **Municipal Market Performance:** After giving back ground last month, the municipal market rebounded in February with the Bloomberg Municipal Bond Index (LMBITR) posting a paltry, but positive, return of +0.03%. The Municipal High Yield Index (LMHYTR) fared better, recording a return of +0.54% this month. However, compared to UST market performance in February, the municipal market was a rockstar.
- **AAA Municipal Benchmark Rates:** Municipal rates stabilized in February, spending the final two weeks in a holding pattern. There were no meaningful changes to the AAA muni benchmark across the curve. While municipal rates were ultimately higher month over month, munis significantly outperformed their treasury counterpart, only rising by 8bps in 5 & 10 years, and 9bps out in 30 years. US Treasury yields, by comparison, rose by 41bp in 5 years, 33bps in 10yrs, and another 20bps in 30 years.
- **Mutual Fund Flows:** Open-ended municipal mutual fund flows appeared to experience outflows, with IG funds losing \$1.5B. However, closer examination reveals an exodus from short-term funds into intermediate and long-term funds. Intermediate and long-term funds have positive flows of nearly \$6B in 2024. High-yield mutual funds have experienced 8-straight weeks of inflows, totaling \$1.1bn in February. It appears the retail investor is becoming increasingly comfortable with the municipal market.
- **Primary Market Supply:** Municipal supply is slated to finish the month just shy of \$30B. That figure is up 37% YoY but down 7% versus the trailing 5-year monthly average. While non-rated new issuance was largely non-existent for the bulk of February, borrowers finally left the sidelines in the final week of the month, as momentum to finance critical projects intensifies. Fortunately, this momentum is poised to continue as the forward calendar for non & lower-rated projects in March has already started to materialize.

## Lind Capital Partners Municipal Non-Rated Market Commentary

Over the past several months, as we've met with current and prospective investors, our Non-Rated Municipal strategy has frequently been compared to the "Alternative or Private Credit" asset class. It is not surprising, given the explosive growth of Private Credit as the hot trend on Wall Street and the similarities between the two. Both asset classes offer the opportunity to access unique credit alternatives to traditional fixed income and attractive risk-adjusted return expectations. Both our Non-Rated Municipal strategy and Private Credit also utilize the interval fund structure, adding to the similarities. We always find these "bucket" conversations interesting, because it helps our investors think about how to categorize and allocate to Non-Rated Municipals and provides us a window into how they view our strategy. For those who choose to think of our asset class as an "Alternative Credit," it is worth highlighting a few general, high-level differences. Alternative Credit comes in many varieties, but we will focus on the largest segment, which includes senior direct lending.

	Private Credit <sup>1,2</sup>	LCP Non-Rated Municipal
Current Yield Expectation	10-12% yield (taxable), 6.00 – 7.00% after tax	7.00% – 7.50% yield (tax-exempt)
Management Fees	Management and Incentive 1.5% - 15% (average)	Management fee: 0.75% – 1.00%
Sector Exposure	Technology, Business Services, Healthcare, Financials, Industrials, Consumer Discretionary	Senior Living, Education, Healthcare, Economic Development, Utilities, Housing
Security	Senior Debt	Senior Secured with First Mortgage Lien on real assets
Coupon & Maturity	Floating rate 5-7 year average maturity	Fixed-rate, fully amortizing 20 year average maturity
Liquidity	Illiquid, privately placed	Less-liquid, publicly traded
Pricing Transparency	Manager mark-to-market	3 <sup>rd</sup> party pricing, public trading
Investment Vehicles	BDCs, LPs, Interval Fund	SMA, Interval Fund

<sup>1</sup> Marquette Associates "A Primer on Private Credit" February 2024

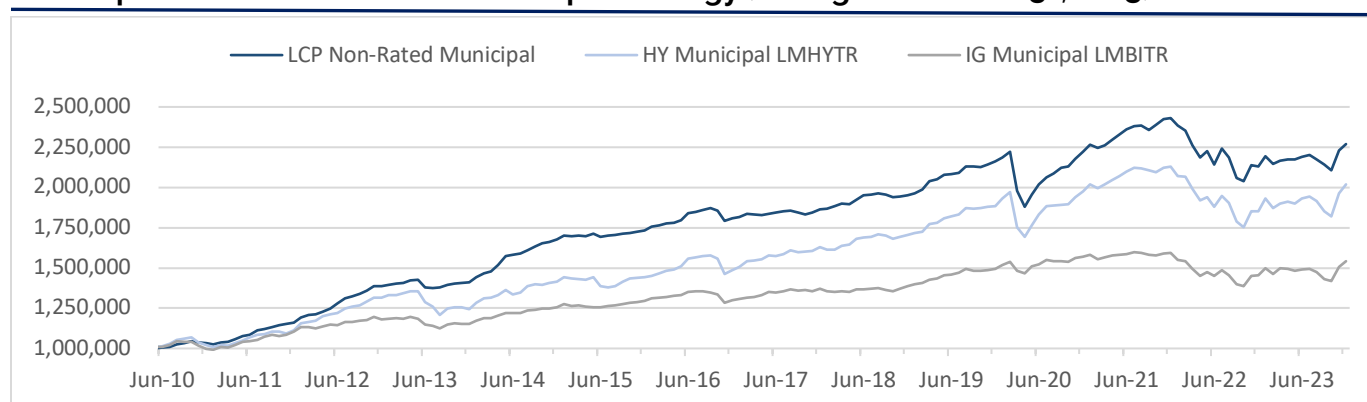
<sup>2</sup> Cliffwater Associates Direct Lending Index 2024, Cliffwater Associates, LLC

In comparing Private Credit to Non-Rated Municipals, we believe investors should consider a few key factors:

- While Private Credit may offer diversification across the capital structure, does it provide adequate diversification across sectors and risk factors that could simultaneously impact equity exposure?
- Does the return profile after taxes and fees provide an adequate illiquidity premium?
- Floating rate debt has performed well in the current cycle, but will it continue?
- How closely is private credit correlated to public equities and are investors aware of the correlation?

Private credit is all the rage on Wall Street and with investment advisors and their clients. The retreat of commercial banks from traditional lending created a void that has been quickly filled by private credit funds. There are admittedly many similarities with the non-rated municipal bond market. Tax sensitive investors may find a better risk-return proposition with non-rated municipal bonds, particularly when liquidity is included in the equation. We welcome your thoughts on opportunities in private credit.

### 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@LindCapitalPartners.com](mailto:info@LindCapitalPartners.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).

