

MUNICIPAL MARKET STATISTICS

	04-01-21	03-01-21	04-01-20	04-01-18	04-01-16
10-Year AAA BVAL Municipal	1.06	1.11	1.73	2.46	1.72
10-Year US Treasury	1.75	1.42	0.58	2.74	1.77
10-Year Muni vs. Treasury	61%	78%	295%	90%	97%
IG Fund Flows YTD	\$25.9B	\$22.3B	\$2.0B	\$6.4B	\$11.3B
HY Fund Flows YTD	\$5.2B	\$4.0B	(\$6.1B)	\$0.1B	\$3.1B
New Issue Calendar YTD	\$103B	\$60B	\$92B	\$63B	\$98B

LIND CAPITAL PARTNERS MARKET COMMENTARY

Market volatility continued through March resulting in higher yields across **taxable** fixed income markets. 10-year Treasuries opened the month at 1.42% and closed at 1.75%, a 33 bps increase and 83 bps higher since the beginning of the year. Conversely, 10-year AAA municipal yields **fell** 5 bps in March and have only risen 39 bps since the beginning of the year. High grade municipals have significantly outperformed US Treasuries and high yield municipals have significantly outperformed both asset classes.

Why the outperformance? A significant contributor was the \$350 billion earmarked for state, local and tribal governments in the American Rescue Plan, which according to Moody's Analytics is more than quadruple what is needed to plug state and local budget holes through next summer. Another major contributor has been the new administration's increasingly public advocacy for higher taxes. We think that tax rates will rise for high bracket individuals as well as for corporations. Higher federal tax rates increase the value of tax-exempt income and provide additional market support. Further, our new issue calendar year to date has been manageable. After a brief period of liquidations in early March, mutual fund inflows have turned and remain positive. Fiscal stimulus, increased vaccination rates and a resurgent US economy improves the credit outlook for municipal issuers, particularly those in LCP's chosen sectors of the high yield market, creating the potential for continued out-performance (see below).

Clearly, with AAA municipal yields and ratios at the levels they are today, tax-exempt investors are not nearly as concerned as their taxable brethren about the factors driving taxable rates higher, inflation and economic growth. We continue to believe municipal investors are better served in the high yield municipal market, which offers higher absolute tax-exempt yields (LCP believes investors can initiate today at a tax-exempt yield of 5.50%) and insulation from rising rates and inflation. Additionally, the prospect of higher marginal tax rates increases the value of tax-exempt income, particularly on a high-income portfolio. Needless to say, the taxable equivalent of a portfolio at 5.50% is significantly higher than a portfolio yielding 2.00% and high yield investors experience greater relative benefit if taxes do increase. Finally, according to a recent Barclays Strategy Report, municipal credit spreads tend to tighten in a rising rate environment with greater tightening as investor move down the credit curve. This further enhances the strong case for an allocation to the municipal high yield market.

LIND CAPITAL PARTNERS CREDIT SNAPSHOT

Deal: The Economic Development Corporation of the City of Grand Rapids, Clark Retirement Community

Background: First purchased in December 2019, the \$70 million deal funded a campus expansion and refinanced existing debt. LCP viewed the repositioning project favorably, shifting the unit mix by adding new independent living units (ILU) while reducing reliance on skilled nursing (SNU). Clark Retirement had a strong operating history with two existing campuses in Grand Rapids, MI. While the project presented construction and fill-up risk, a strong depositor base on future units and stable ongoing operations mitigated the risk of delays.

2020 Review:

In our [December Note](#), we discussed areas that we found critically important to assess viability in the Senior Living sector since the onset of the COVID-19 pandemic. Clark Retirement performed well in all of these key areas.

"Strong management teams able to adapt and operate in a pandemic environment and prevent outbreaks"

The Clark management team proved itself highly effective through a challenging year, and continually impressed the LCP research team with their level of transparency and communication. COVID testing and containment efforts were strong, despite a small spike in cases last summer. The State of Michigan awarded Clark a 5/5-star rating bump due to the quality of their infection control policies during 2020. Management recently reported they have successfully distributed a COVID vaccine to 100% of their residents and 60% of their staff.

"COVID disproportionately affected higher levels of care, specifically skilled nursing and short-term rehab" Even prior to COVID, Clark did not rely heavily on short term rehab patients in skilled nursing. The strategic decision to reposition unit mix toward independent living further insulated Clark from a negative financial impact. IL occupancy remained stable during 2020, although higher level of care units experienced attrition consistent with industry trends.

"Demand for congregate care remains strong, although prospective residents may delay their decision"

Despite state executive orders that limited marketing efforts, demand for the facility and its services persisted. This was made evident by a quick return to move-in activity once restrictive orders were lifted. In addition, Clark experienced very few lost depositors for its new independent living units.

"Most borrowers covered by LCP qualified for PPP and CARES Act stimulus, providing needed liquidity"

Clark received a ~\$1.8 million PPP loan, which was fully forgiven in January 2021. They also received over \$500k in CARES Act grants. In addition, Clark negotiated an unsecured \$1 million line of credit to serve as an additional liquidity backstop (with no intention of drawing). These additional resources, together with an ongoing capital campaign helped Clark maintain a healthy liquidity position.

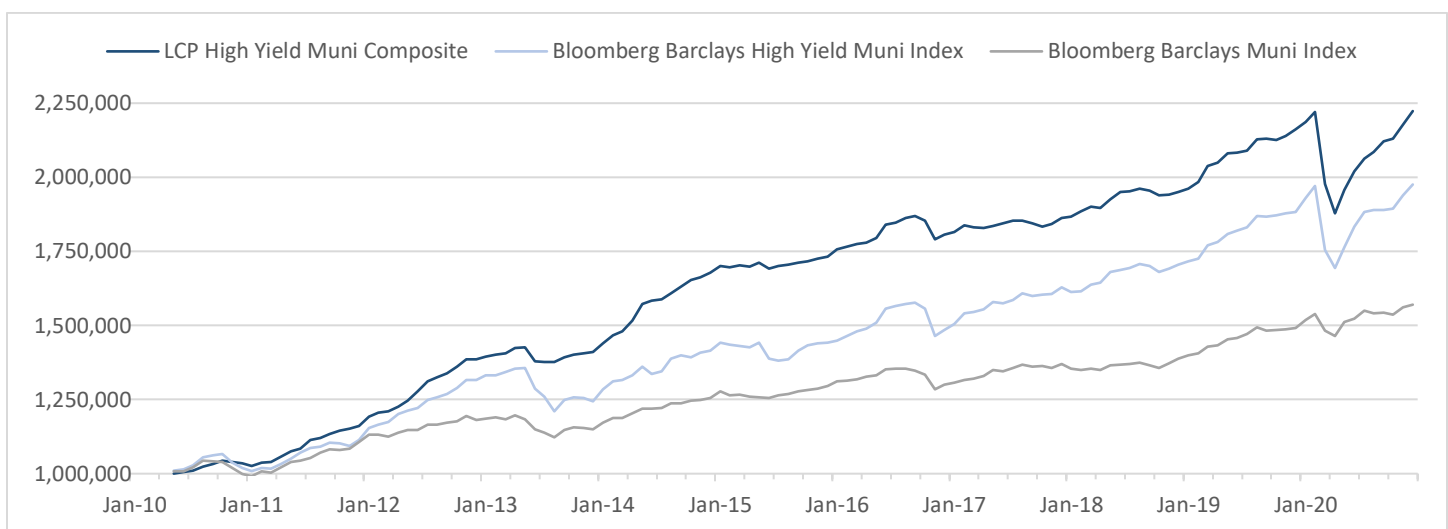
Outlook:

Consistent with risks that we continue to see throughout the senior living sector, Clark Retirement still faces challenges. Increased COVID-related expenses will persist, although future PPP or stimulus would aid profitability. The construction project was delayed two months and is now scheduled to be complete in October 2021. Construction contingencies and capitalized interest built into the deal should mitigate the delay. While the 50 new units still present fill-up risk, they represent a small proportion of over 400 total units, and deposits remain strong. Any future outbreaks of COVID will stress Clark as well as other senior living facilities. The successful distribution of a vaccine to residents and staff *should* protect the campus from future local outbreaks. The Clark Retirement management team's ability to quickly enact containment and safety protocols during 2020 gives us comfort that they will manage smartly during any future outbreak.

Conclusion. Overall, LCP believes Clark Retirement's organizational strengths will continue to serve the entity well moving forward. Favorable purchase points combined with LCP's diligent credit oversight gave us confidence to increase our holdings over the past twelve months. We are happy to discuss in more detail upon request.

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)

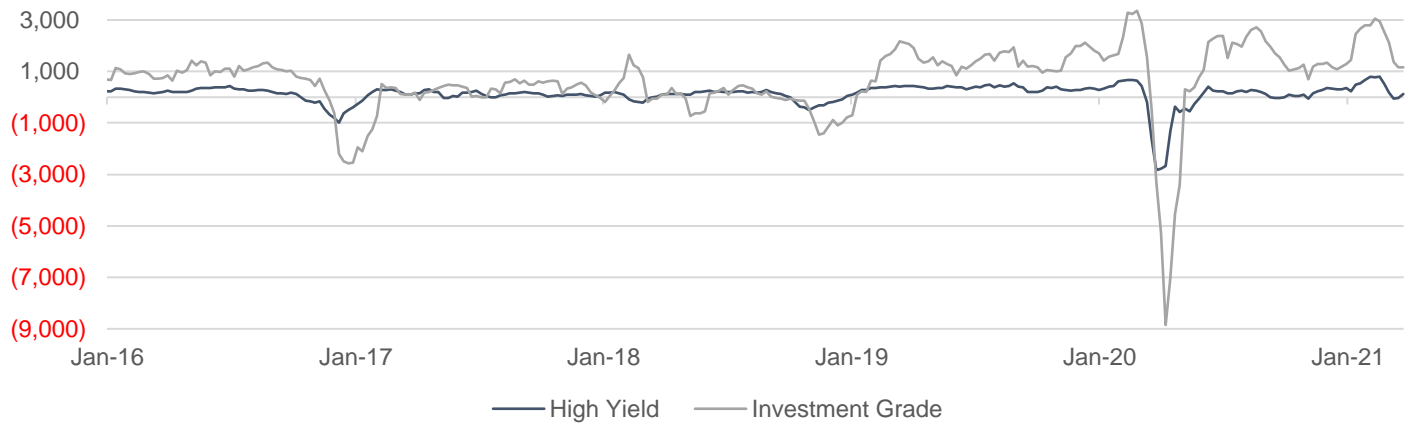


The chart above shows the increase in value of \$1,000,000 invested in the LCP composite at inception vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). Please contact us with questions regarding 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 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 December 31, 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.

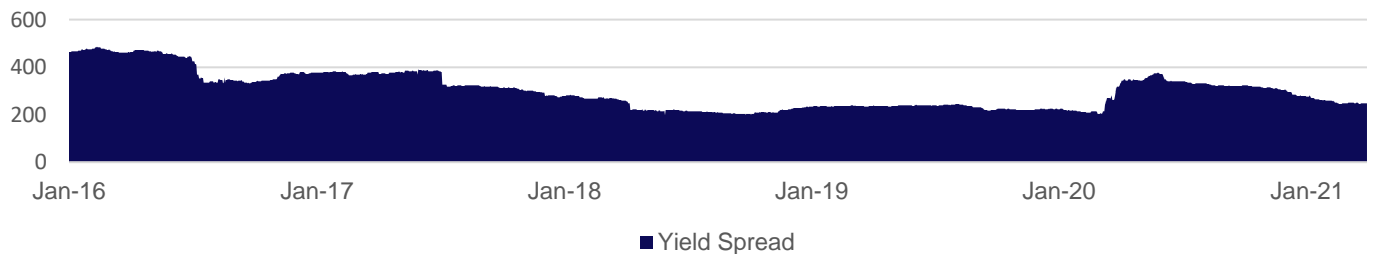
Municipal Fund Flows



High Yield and Investment Grade Municipal Yields



Municipal High Yield vs. Investment Grade Spread



Municipal vs Treasury Ratios

