

## Municipal Market Statistics

April 2024

	04-01-24	03-01-24	04-01-23	04-01-21	04-01-19
10-Year AAA BVAL Municipal	2.50%	2.51%	2.26%	1.06%	1.90%
10-Year US Treasury	4.27%	4.25%	3.47%	1.74%	2.50%
10-Year Muni vs. Treasury Ratio	59%	59%	65%	61%	76%
IG Fund Flows YTD	\$3.5B	\$1.4B	(\$3.0B)	\$26.8B	\$14.0B
HY Fund Flows YTD	\$3.8B	\$3.2B	\$1.3B	\$5.3B	\$4.4B
IG (LMBITR) Total Return YTD	(0.39%)	(0.48%)	2.78%	(0.35%)	2.72%
HY (LMHYTR) Total Return YTD	1.51%	0.08%	2.73%	2.11%	3.62%
New Issue Calendar YTD	\$97B	\$55B	\$75B	\$102B	\$77B

## Lind Capital Partners Municipal Market Commentary

- **Municipal Market Performance:** The municipal market's positive performance continued in March with the Bloomberg Municipal Bond Index (LMBITR) posting a modest, but positive, return of +0.09%. The Municipal High Yield Index (LMHYTR) fared significantly better, outperforming investment grade index by 134bps, ultimately recording a return of +1.43% this month.
- **AAA Municipal Benchmark Rates:** Fixed income markets were relatively range bound in March and municipals were no exception. The high grade municipal benchmark was a mixed bag but month over month scale changes were minor. In 5 years, the benchmark was higher by 4bps, lower by 3bps in 10yrs, and 2bps higher in 30 years. The US Treasury market outperformed, slightly, with yields ending the month lower across the curve. Yields ended the month lower by 3bps in 5 years, 5bps in 10 years, and 4bps out in 30 years.
- **Mutual Fund Flows:** Open-ended municipal mutual fund flows continued their "inflow streak" in March, experiencing inflows totaling over \$2.5bn for the month. High-yield mutual funds have experienced 12-straight weeks of inflows, totaling \$1.1bn in March.
- **Primary Market Supply:** Municipal supply is slated to finish the month totaling just over \$30bn. That figure is down 12% YoY and versus the trailing 5-year average. Looking back on Q1, municipal new issuance, broadly, increased over 20% YoY. High-yield new issuance has been a different story. While the non-rated primary has started to materialize slightly, primary issuance for high yield was the second lowest for a Q1 in a decade. The lack of primary coupled with steady secondary demand, has certainly aided in HY outperformance YTD.

## Lind Capital Partners Municipal Non-Rated Market Commentary

The financial challenges of small colleges and universities has been well documented in the financial press recently. On March 25<sup>th</sup>, the Trustees of Birmingham Southern College (BSC) announced the 170-year-old liberal arts college would be closing in May. It was the end of a long struggle for the institution to remain fiscally solvent and educationally relevant in a dramatically changing environment. To many, it was just another in a string of colleges announcing their closing. To LCP, it marked the end of what we had seen coming for several years.

BSC was a credit held in LCP portfolios for nearly a decade. We were drawn to the credit as it emerged from financial instability as new leadership embarked on a turnaround coming out of the "Great Financial Crisis". The College stabilized enrollment, controlled expenses and was effective in fundraising and managing the endowment.

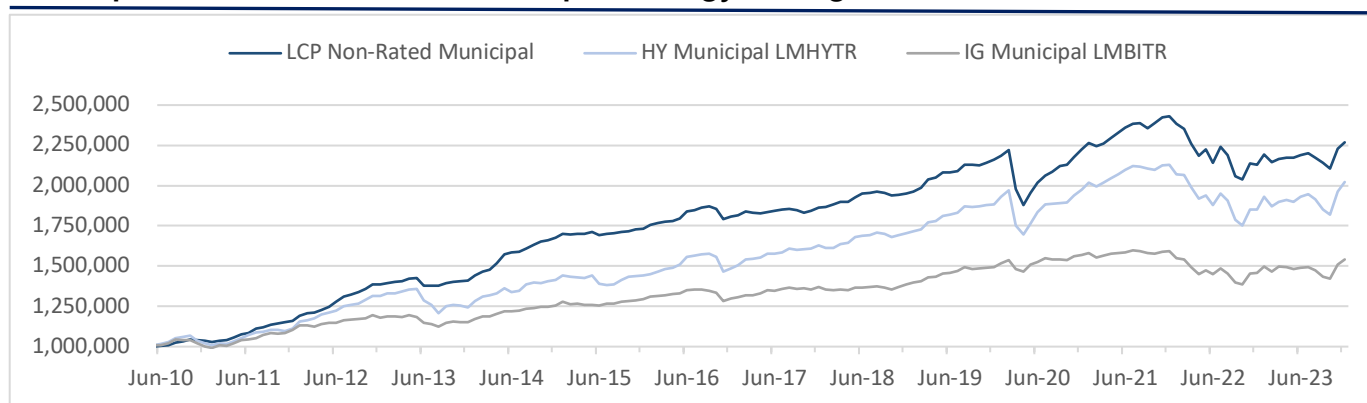
However, by 2019 it was apparent to the LCP credit team that the College was facing severe challenges, including:

- Declining enrollment and corresponding revenue decline.
- Significant ongoing operating deficits had drained the unrestricted endowment.
- Remaining endowment was highly restricted limiting financial liquidity of the college.

As a result of the negative trends and inability to successfully address them, LCP initiated an exit from client positions that was completed in December 2022. We watched with keen interest as the College sought to "*right the ship*" but COVID proved too much for the college to endure. Enrollment had fallen by over 50% from 2010 and the unrestricted endowment had dwindled to \$1.5 million. Total endowment had fallen from \$110 million to just over \$50 million, almost entirely restricted. The Alabama legislature tried throwing BSC a lifeline by passing a private college loan program, with \$30 million earmarked for BSC. The state treasurer denied the loan application, sealing BSC's fate.

We are saddened by the closing of BSC, although not surprised. We believe there should be several takeaways from the BSC story. First, and foremost, there are significant challenges facing smaller liberal arts colleges, even those with a 170-year history and significant role within a local community. Second, and as importantly, the challenges are definable, and progress can be measured regarding successfully addressing these challenges. The LCP credit team identified many of the issues that led to the demise of BSC before we made our first purchase of the credit. Ongoing surveillance and close monitoring of progress (or failure) towards preparing the College for the new environment can provide investors with a window into the future for the institution. Fortunately, the factors that led to the ultimate decision to close the College were well known years before the decision was made. Investors should certainly be extremely cautious towards the higher education sector, but do not need to avoid it completely. There are many smaller colleges and universities that still provide an excellent risk-return trade-off.

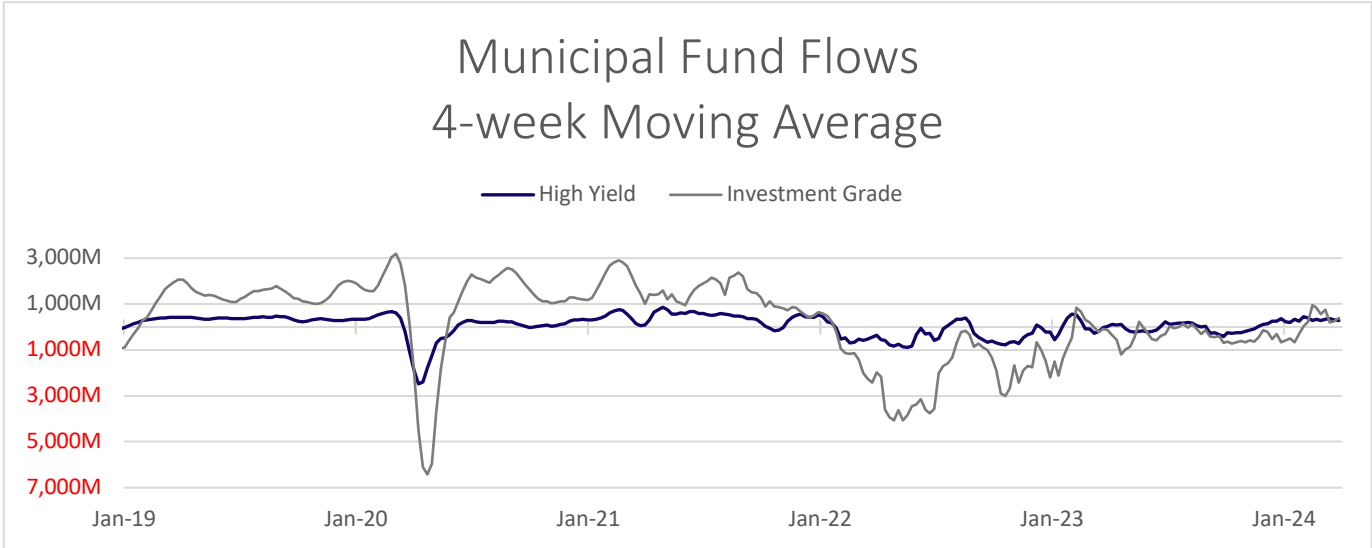
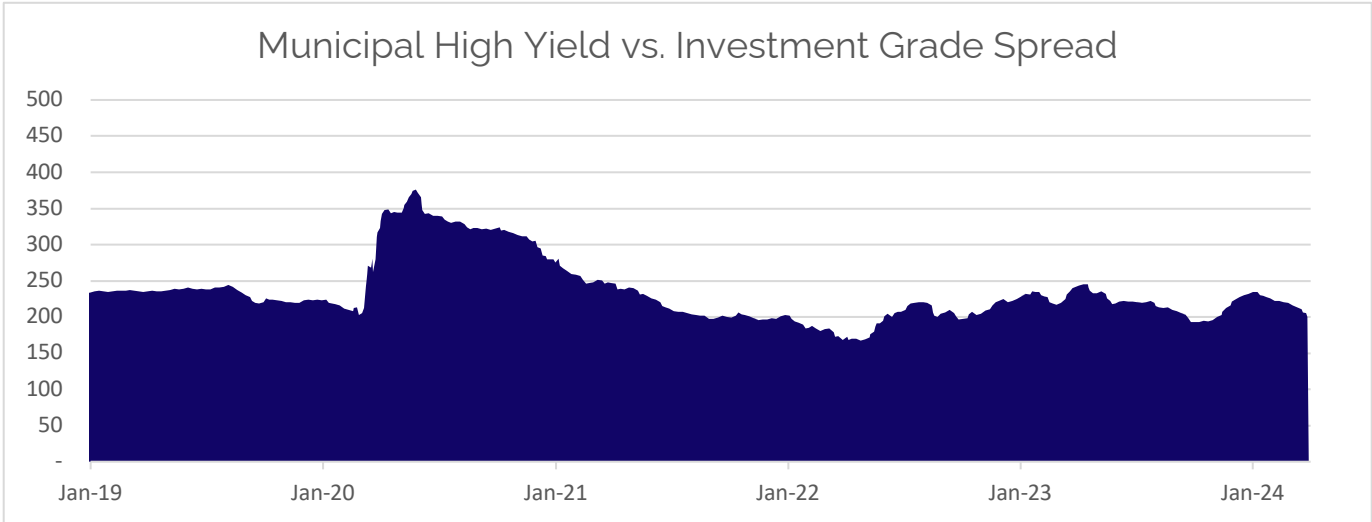
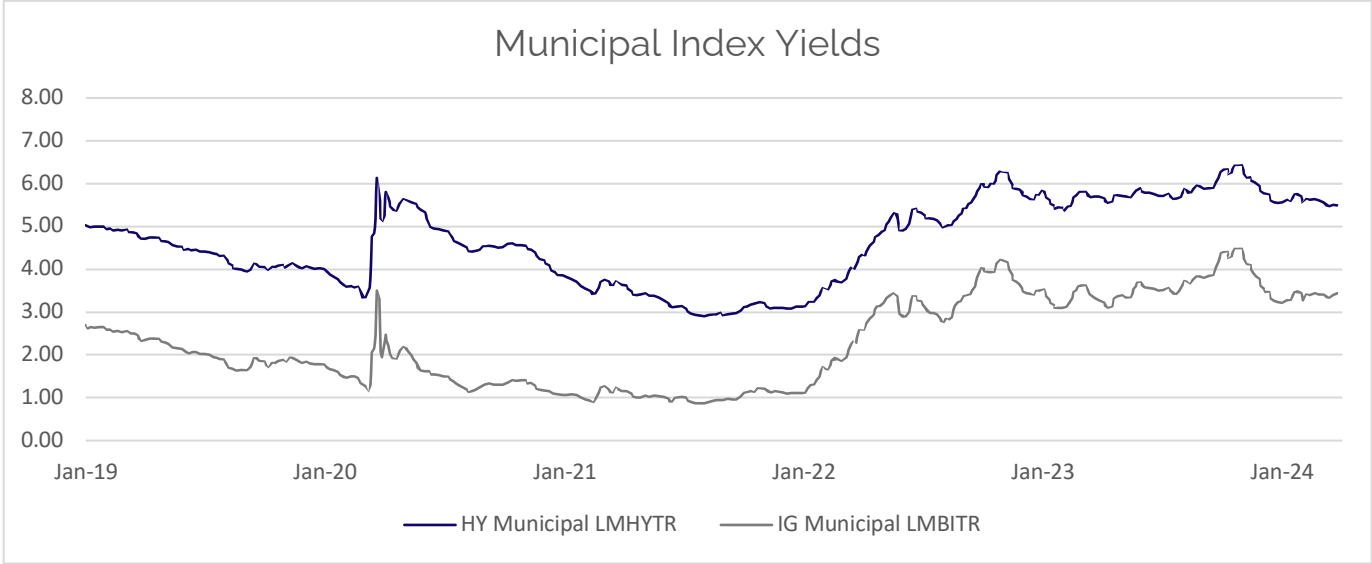
## Lind Capital Partners Non-Rated Municipal Strategy (through December 31, 2023)



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).



Sources: Refinitiv and Bloomberg LP