LIND CAPITAL PARTNERS

Municipal Market Statistics

May 2023

	05-01-23	04-01-23	05-01-22	05-01-20	05-01-18
10-Year AAA BVAL Municipal	2.34%	2.26%	2.70%	1.42%	2.51%
10-Year US Treasury	3.53%	3.47%	2.94%	0.64%	2.96%
10-Year Muni vs. Treasury Ratio	66%	65%	92%	222%	85%
IG Fund Flows YTD	($6.9B)	($3.0B)	($32.9B)	($10.B)	$6.8B
HY Fund Flows YTD	$1.0B	$1.3B	($8.5B)	($7.5B)	$0.7B
IG (LMBITR) Total Return YTD	2.54%	2.78%	(8.82%)	(1.88%)	(1.46%)
HY (LMHYTR) Total Return YTD	3.32%	2.73%	(9.85%)	(10.0%)	(1.05%)
New Issue Calendar YTD	$98B	$75B	$137B	$115B	$63B

Lind Capital Partners Municipal Market Commentary

- ***Municipal Market Performance:*** Bloomberg Barclays Muni Index LMBITR was down -0.23% in April (+2.54% YTD). The Bloomberg Barclays HY Muni Index LMHYTR was up +0.58% in April (+3.32% YTD).
- ***AAA Municipal Benchmark Rates:*** AAA benchmark municipal rates rose by 14bps in 5 years, 8bps in 10 years, and 9bps in 30 years. While the curve remains slightly inverted in the 5–10-year range, investors get compensated for extending duration as the spread between 10 and 30-year AAA rates exceeds 100 basis points. If the Fed is in fact nearing the end of it's rate hiking cycle and/or the prospects of a recession remain elevated, investors on the long end of the curve are poised, in theory, to outperform.
- ***Mutual Fund Flows***: Open-ended municipal mutual funds saw outflows of $4.2Bn in April bringing year-to-date outflows for funds to roughly ($6bn). High-yield mutual funds have experienced a more constructive flow cycle with only $291mm in outflows during April but roughly $1bn in inflows YTD. A significant driver of fund flows in April, historically, is federal income tax payment related.
- ***Primary Market Supply:*** While municipal supply remains muted (20% YOY) the market did experience one week of elevated supply in April. When combined with lackluster investor demand, underwriters were forced to offer significant price concessions to attract investor interest. For example, a high yield transaction was offered 40 bps cheaper than pre-marketing pricing levels. LCP remains eager to see the backlog of sidelined high yield issuers access the capital markets and expand the number of borrowers competing for investors' attention and capital.
- ***Banks and Municipal Holdings:*** BlackRock Financial Market Advisory, on behalf of the FDIC, is set to liquidate Silicon Valley Bank's ~$7.5 billion in muni holdings over the next few weeks. The majority of SVB's municipal bond holdings consist of high-grade but low-coupon paper that have fallen out of favor with investors as rates have soared under recent Fed policy. While $7bn is a lot of wood to chop, we don't expect there to be a meaningful market dislocation as result of this liquidation.
- ***Looking Ahead:*** With a 25-basis point rate increase at the Federal Reserve's May 3rd meeting all but certain, and the presumptive end of the Fed tightening cycle, munis, amidst higher seasonal demand, higher yields, and a stabilized interest rate environment, are poised to perform going forward.

Lind Capital Partners Municipal Non-Rated Market Commentary

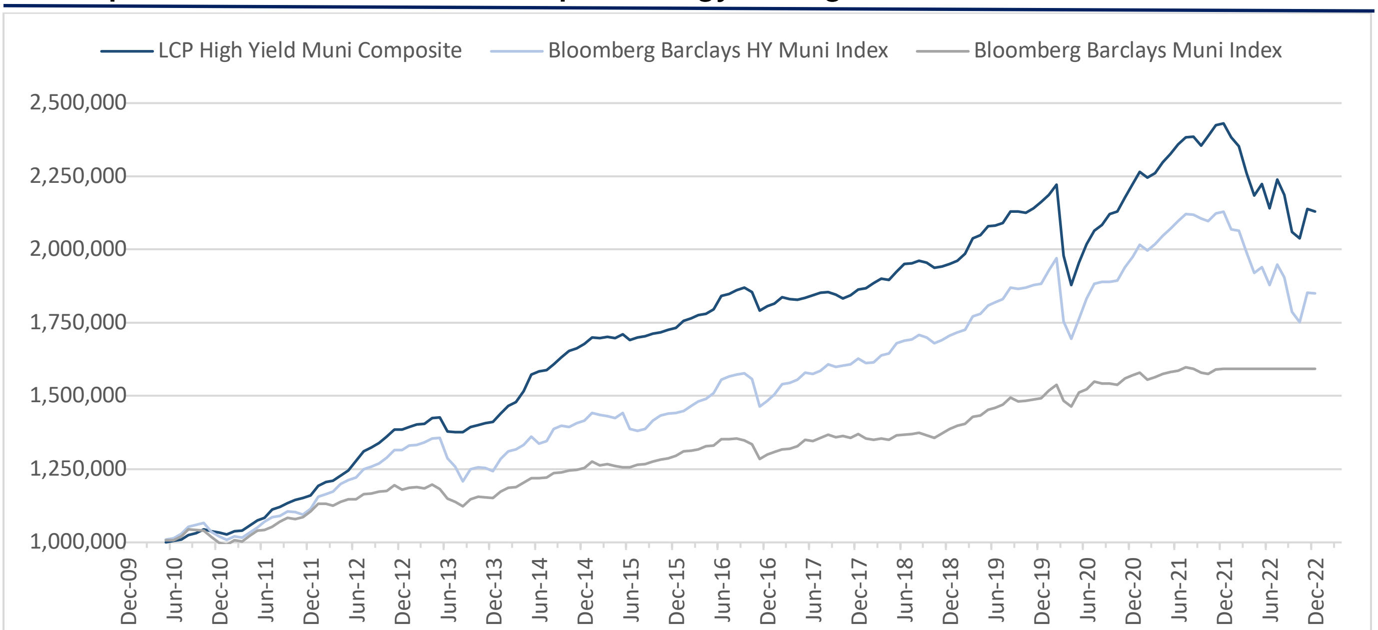
As we near the end of the Fed tightening cycle and the debate persists regarding a soft landing or recession, we thought it worthwhile to provide an assessment of the credit environment in the non-rated municipal market. Given the economic uncertainty, the financial press and market participants often express concern regarding potential credit deterioration in the corporate high yield market. Investors unfamiliar with the non-rated municipal market often assume similarities with the high yield corporate market. However, many of the sectors that comprise the non-rated municipal market are very different from those that comprise the high yield corporate market. Our research indicates the correlation between the HY Municipal Index and HY Corporate Index since our inception (2010) is 59%. However, pre-COVID, the correlation between the two indices is just 12%. We attribute the lack of correlation to the very different nature of the two markets. Roughly 75% of the Bloomberg Barclays High Yield Corporate Bond Index (LF98TRUU) is comprised of: Consumer Cyclicals, Communications, Consumer Non-Cyclicals, Energy and Capital Goods. Sectors notable for exposure to discretionary spending and general economic conditions.

At LCP, we target 8 specific revenue bonds sectors of the municipal market: Senior Living, Charter Schools, Higher Education, Economic Development, Healthcare, Student Housing, Multi-Family Housing and Social Services. Each of these sectors has a degree of essentiality and is not dependent on discretionary spending. Admittedly, there are many other sectors that comprise the HY Municipal Index and populate traditional open-end mutual funds that are more cyclical and dependent on general economic conditions: Shopping malls, transportation, and sports facilities, to name a few.

A significant difference between the corporate high yield market and municipal non-rated market is the capital structure of the borrowers. Corporate borrowers tend to issue shorter-term non-amortizing debt and are subject to re-financing risk. Municipal borrowers can only issue debt for capital projects, typically issue fully amortizing long-term debt, locking in financing costs at the time of borrowing. The debt load of municipal borrowers is naturally lowered over time as principal and interest are paid on an annual basis.

Overall, we view the credit landscape today as the most favorable it has been since the onset of COVID. Admittedly, the free flow of federal funds to borrowers provided a lifeline allowing them to survive the worst of the COVID crisis 3 years ago. Now, as we emerge from the formal "Emergency" and the Fed is poised to halt rate increases, we are optimistic our target sectors are well positioned to withstand a future economic slowdown or recession, given the nature of their business lines and models. In fact, rising labor costs have been a source of stress for many of our borrowers and an easing of wage pressure will provide welcome relief. Whether or not a halt in Fed tightening policy will bring the retail investor back into the municipal market remains to be seen. In our opinion, credit should not be a reason to continue avoiding the market.

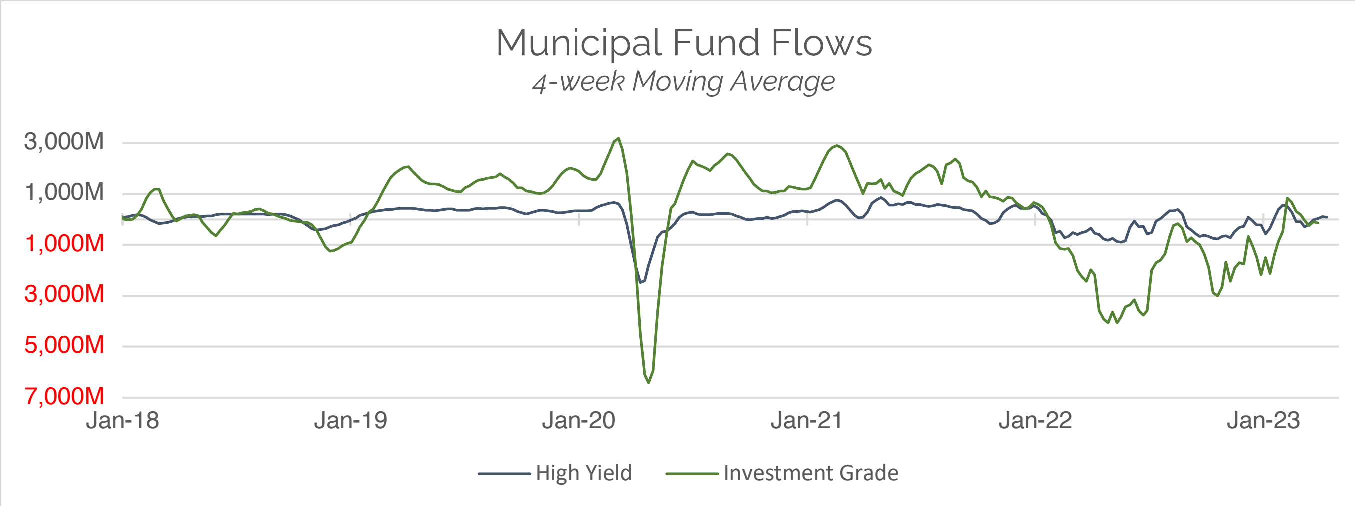
Lind Capital Partners Non-Rated Municipal Strategy (through March 31, 2022)

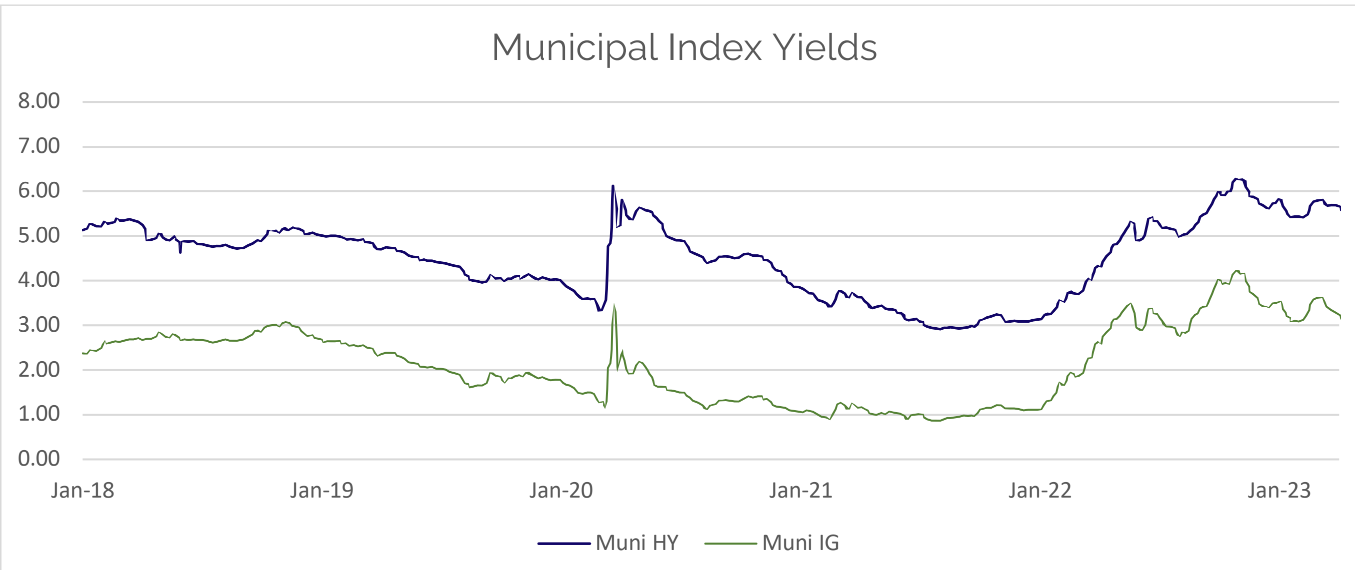


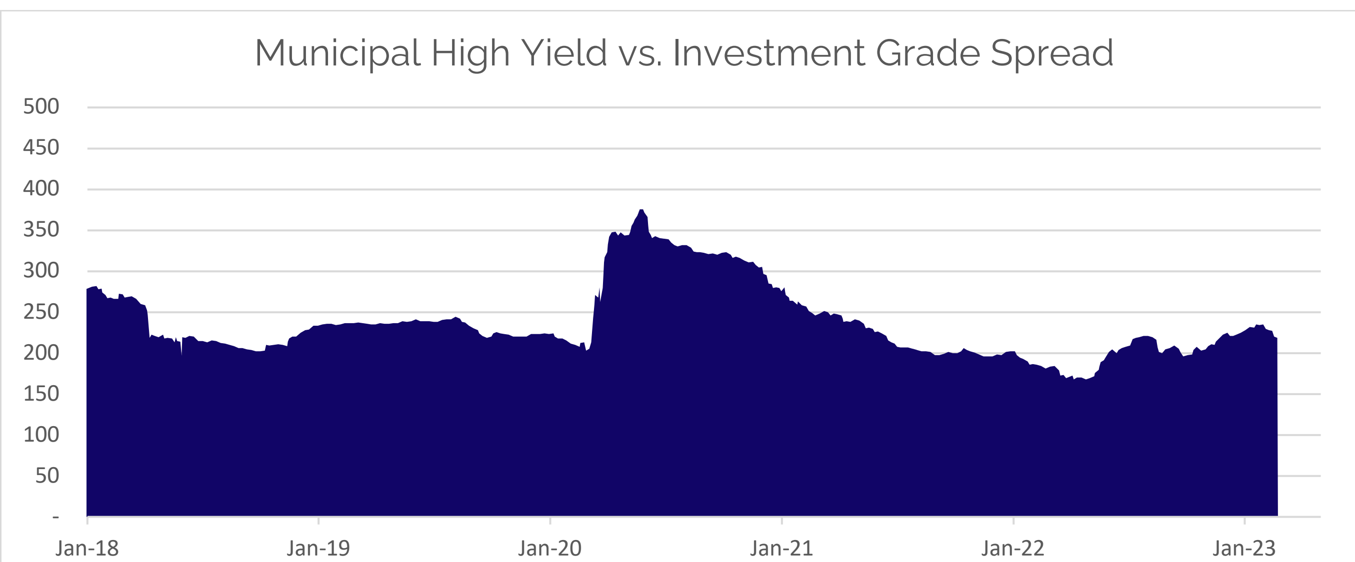
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). 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 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. Performance information (time-weighted rate of return) is provided for the LCP High Yield Muni 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.







Sources: Refinitiv and Bloomberg LP