LCP LIND CAPITAL PARTNERS

Municipal Market Statistics

May 2024

	05-01-24	04-01-24	05-01-23	05-01-21	05-01-19
10-Year AAA BVAL Municipal	2.78%	2.52%	2.34%	0.96%	1.87%
10-Year US Treasury	4.67%	4.31%	3.57%	1.63%	2.50%
10-Year Muni vs. Treasury Ratio	60%	58%	66%	59%	75%
IG Fund Flows YTD	$5.7B	$3.5B	($6.9B)	$33.2B	$21.7B
HY Fund Flows YTD	$3.9B	$3.8B	$1.0B	$8.7B	$6.3B
IG (LMBITR) Total Return YTD	(1.62%)	(0.51%)	2.52%	0.48%	3.28%
HY (LMHYTR) Total Return YTD	1.00%	1.31%	3.05%	3.60%	4.41%
New Issue Calendar YTD	$139B	$100B	$107B	$141B	$99B

Lind Capital Partners Municipal Market Commentary

- ***Municipal Market Performance:*** After two consecutive months of positive (or flat) performance in both the high grade and high yield municipal indices, April proved to be more challenging from a return perspective. Both indices gave back ground this month, as the Bloomberg Municipal Bond Index (LMBITR) posted a return of (1.24%), and the Bloomberg Muni High Yield Index (LMHYTR), while outperforming, still recorded a loss, totaling (0.50%).

- ***AAA Municipal Benchmark Rates:*** As the Fed continued to signal their desire to keep rates higher for longer, fixed income markets reacted accordingly, with rates moving upward. US Treasury yields ended April significantly higher across the curve. Yields were 50 bps higher in 5 years, 49 bps higher in 10 years, and 45 bps higher in 30 years. High grade municipals outperformed, with the high grade municipal benchmark rising by 28-29 bps in 5, 10, and 30 years.

- ***Mutual Fund Flows:*** The inflow streak ended this month, as open-ended municipal mutual funds experienced their first weekly outflow in 8 weeks. With that said, funds experienced inflows 3 out of the 4 weeks in April, totaling over $2B ($9B+ YTD). The 14-week inflow streak for high yield mutual funds also came to an end in April but flows were ultimately constructive, recording $283MM in inflows ($4B YTD).

- ***Primary Market Supply*:** Municipal supply is slated to finish the month totaling over $41B. That figure is up roughly 22% YoY and versus the trailing 5-year average. After an extremely slow Q1 for non-and-lower rated new issue supply, April kicked the high yield primary market into gear. LCP evaluated over 15 new issues, pariticipating in 3. From our seat, the persistent theme in the non-rated new issue market currently is deals are priced to sell and seeing significant oversubscription resulting in substantial price tightening. Needless to say, investors in the Non-Rated municipal market have ample cash & liquidity and are taking advantage of the attractive entry point.

Lind Capital Partners Municipal Non-Rated Market Commentary

As friends of LCP know, we often discuss seasonal factors that impact the municipal bond market. Given the retail nature of the market and limits on debt issuance (capital projects and current refunding), the municipal market is largely driven by supply and demand factors. While it's impossible to fully predict supply and demand, experienced market participants know where to find observable and measurable data to keep a pulse on the fluctuating dynamics. Throughout the year, there are distinct influences on underlying supply and demand drivers that create often repeated seasonal patterns. Awareness of these patterns can be advantageous to investors, advisors, and portfolio managers.

Supply in our market can be measured by the amount of primary issuance volume coming to market (i.e. how much new debt is being issued). Supply volume is dictated by the issuance process and the activity of the underwriting community, as well as macroeconomic factors. Additionally, secondary supply is often the result of negative fund flows in mutual fund complexes.

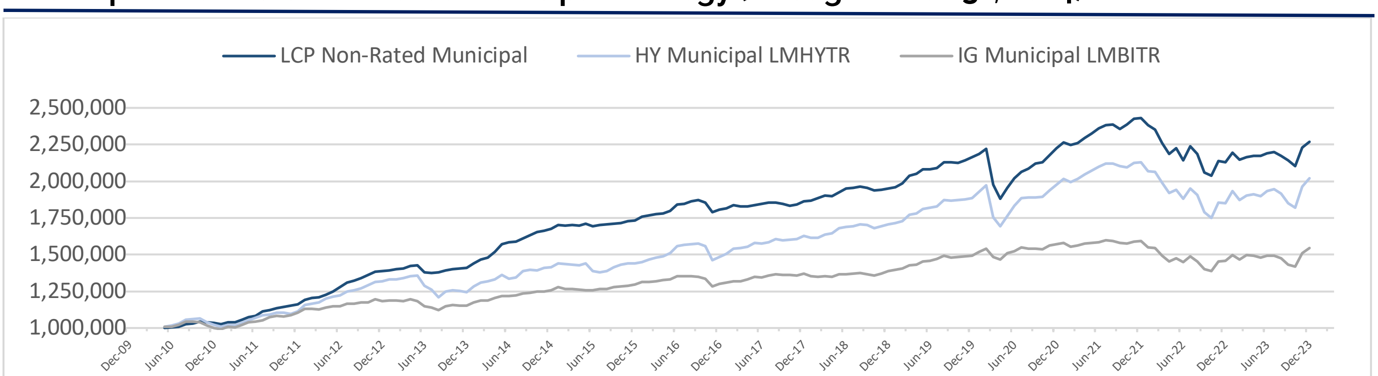
Demand can be measured by fund flows in and out of mutual funds and ETFs. The municipal market is largely dominated by retail investors. Predicting the whims of the retail investor is a fool's errand, but fund flow data provides a reasonable leading indicator for demand; whether funds and ETFs will have available capital to deploy. Another measurable demand factor (which also contributes to fund flows), is timing of coupon and principal payments and subsequent reinvestment of those cash flows.

The following table illustrates some of the key seasonality factors driving supply and demand:

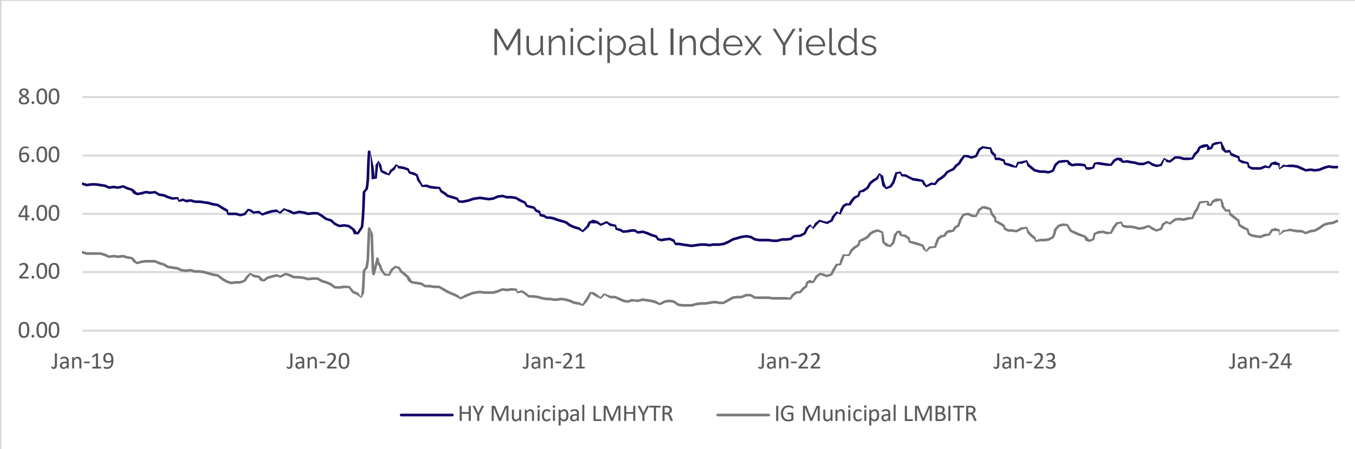
	Supply	Demand	Impact
January –> February	**Low** - new issuance coming off the holiday season.	**High -** large coupon and maturity reinvestment.	*"The January Effect"* historically supportive market environment.
Late Q1 –> end of Q2	**High** - Issuance kicks into full gear, debt issued to break ground on construction projects in warmer months.	**Low** – small coupon & maturity reinvestment. April selling to fund federal & state tax liabilities.	Advantageous time to invest given high supply & low demand. Opportunities in both secondary and primary markets.
Summer	**Low -** slowdown in market activity due to vacations, etc.	**High** – large coupon and maturity reinvestment in June and July.	May be pockets of opportunity given a distracted market, but also a good time to raise capital ahead of Q4 buying opportunity.
Labor Day – Year End	**High -** Hustle to get deals done before the holidays. 501(c)3 borrowers with issuing authority may be faced "use it or lose it" by year-end.	**Med/Low** – usually fairly stable in the Fall but holiday schedules often distract investors and year-end repositioning may create selling.	Q4 has historically been our most active purchasing quarter. The flurry of issuance combined with soft demand creates pricing inefficiencies & yield concessions on new deals. We focus heavily on primary calendar.

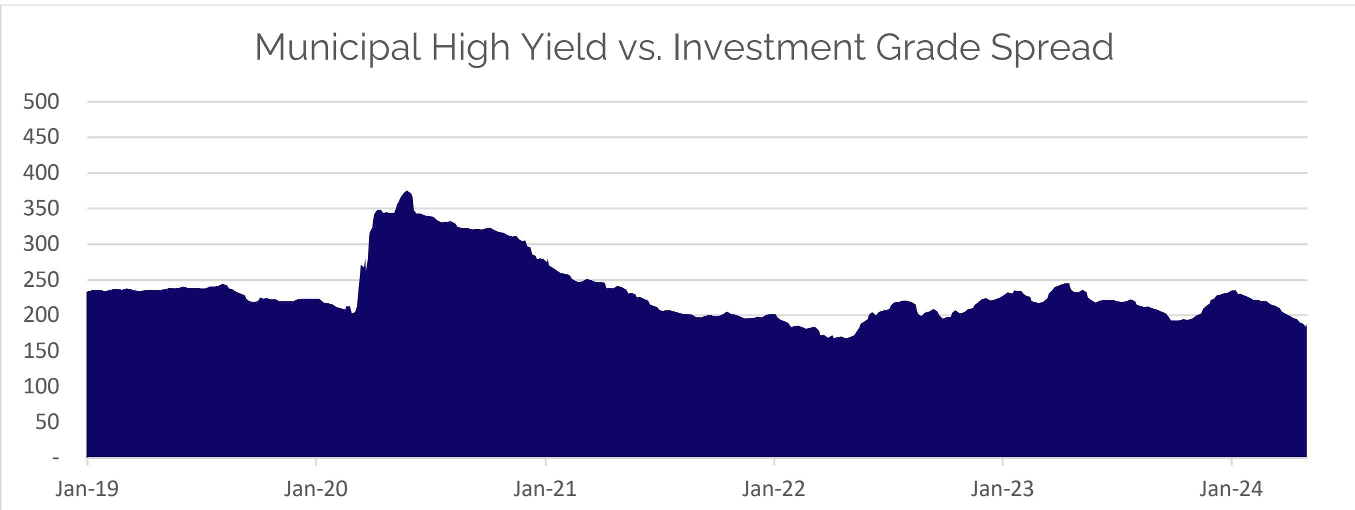
We are currently in a seasonally advantageous period to populate new or existing portfolios. After *very* low Q1 issuance, we have seen a pick-up in non-rated municipal deal flow. The forward calendar indicates continued opportunity in the primary market. While retail fund flows have been positive year-to-date, the magnitude has not convinced us that demand as fully returned. The prospect of "higher for longer" may continue to deter demand, creating an even more pronounced seasonal effect over the next few months.

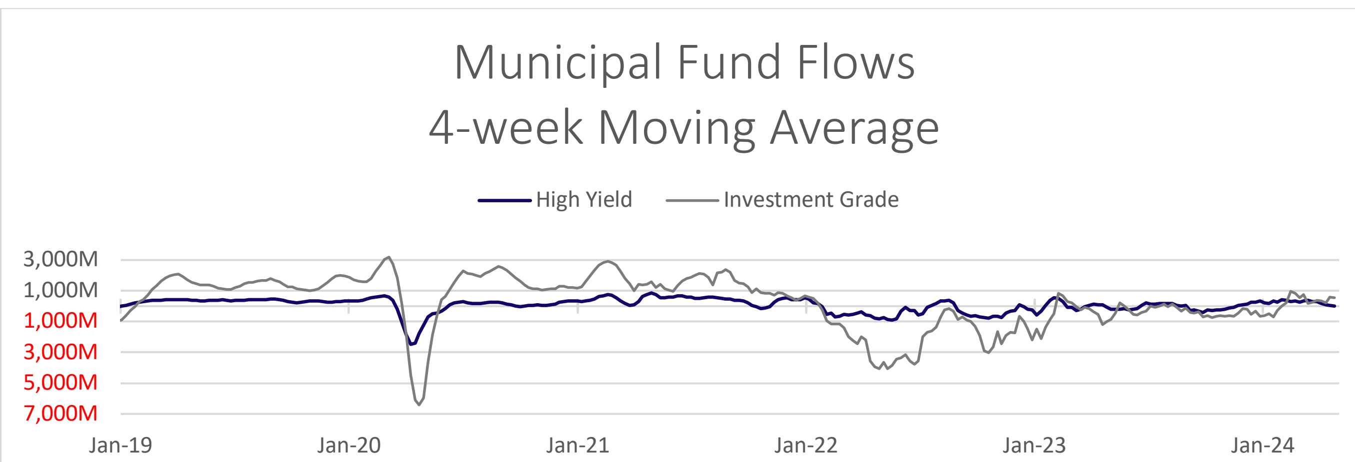
Lind Capital Partners Non-Rated Municipal Strategy (through March 31, 2024)



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.







Sources: Refinitiv and Bloomberg LP