



## MUNICIPAL MARKET STATISTICS

	6/1/19	6/1/18	6/1/17	6/1/16	6/1/14
<b>10 Year AAA Municipal</b>	1.65	2.41	1.90	1.66	2.16
<b>10 Year US Treasury</b>	2.12	2.88	2.21	1.83	2.49
<b>10 Year Muni/Treasury</b>	78%	84%	86%	91%	87%
<b>Open End Fund Flows</b>	\$36.5 Billion	\$6 Billion	(\$3.1) Billion	\$25 Billion	(\$3.8) Billion
<b>New Issue Calendar YTD</b>	\$132 Billion	\$133 Billion	\$162 Billion	\$177 Billion	\$120 Billion

The 10-year Municipal/Treasury ratio reached historic lows in May, touching 71.5% before finishing at 78% as Treasuries rallied to close the month. New issue supply remained largely unchanged YOY, as flows of \$36.5 Billion surged into municipal fixed income mutual funds, with \$8.3 Billion into high yield (through May 26th).

This supply/demand imbalance enabled a number of issuers to place debt during the month at historically tight spreads. For example, BB+ rated Moravian Manors of Lancaster, PA, issued \$29 Million 30-year bonds on May 20th at +133 over BVAL AAA, or 3.74% YTW. Two days later, B3/B rated Arkansas IDA deal for Big River Steel placed \$487 Million 30-year bonds at +212 over BVAL AAA, or 4.50% YTW. Both are representative of deals that may have met LCP's stringent credit guidelines but did not make sense from an absolute yield or relative value pricing perspective. In May, LCP primarily focused on the secondary market.

## LIND CAPITAL PARTNERS CREDIT SNAPSHOT

**Deal:** Eastern Illinois University AFS (Auxiliary Facility System). 5.80% Coupon, 2033 Maturity. Rated B1, stable outlook.

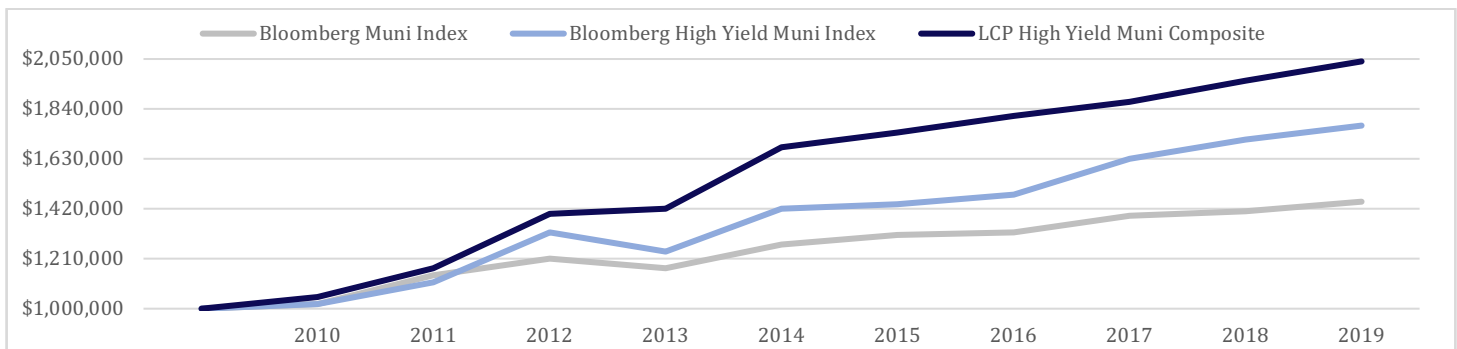
**Backdrop:** Located in Charleston, IL, Eastern Illinois University (EIU) has approximately 6,000 undergraduate and 1,500 graduate students, with prominent majors including education and business. LCP has not purchased any Illinois debt in its high yield strategy since 2010. The acquisition of the EIU block of bonds at a **6.24% YTW** provided an opportunity to smartly re-engage with in-state debt.

**LCP View:** The EIU AFS bonds are secured by the net revenues from multiple sources including on-campus housing, dining halls and athletic stadium facilities. Additionally, the outstanding AFS bonds (\$8.3 Million) have dedicated reserves available for AFS purposes of roughly \$7 million. EIU's \$82 Million endowment we consider to be large for a regional state school of its size.

The University is dependent on financial support from the state of Illinois. However, the new Illinois governor and legislature have signaled renewed financial support for all state universities, a positive in LCP's view. While the LCP credit research team does not rely on rating agencies for credit analysis, we were encouraged that the University was upgraded to B1 by Moody's prior to purchase. The upgrade provides some comfort and transparency as to the likelihood of continued state support going forward.

**Conclusion:** While, in general, the universe of available bonds for purchase in the municipal high yield market has shrunk, LCP does not feel that imbalance justifies a change to our investment processes and disciplines. If anything, extreme periods such as the present market environment dictate even more so that we adhere to such.

## THE LIND CAPITAL PARTNERS HIGH YIELD MUNICIPAL STRATEGY



The chart above shows the increase in value of \$1 Million invested in the LCP composite at inception vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices. Please reach out with questions regarding credit profile, returns, taxable equivalent yields or further portfolio information.

## DISCLOSURE

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