

## MUNICIPAL MARKET STATISTICS

	06-01-20	05-01-20	06-01-19	06-01-17	06-01-15
10-Year AAA MMD Municipal	0.80	1.33	1.81	1.90	2.19
10-Year US Treasury	0.66	0.67	2.40	2.21	2.12
10-Year Muni vs. Treasury	121%	198%	75%	86%	103%
Open End Fund Flows YTD	(\$16.2B)	(\$20.1B)	\$37.6B	\$3.5B	\$11.1B
New Issue Calendar YTD	\$150B	\$117B	\$108B	\$131B	\$145B

## LIND CAPITAL PARTNERS MARKET COMMENTARY

After months of turbulent volatility, the high-grade municipal market has healed while the high yield sector has just begun the healing process. Nearly \$4B of new money flowed into open-end fund complexes during May after hemorrhaging roughly \$48B during March and April. High yield funds experienced \$880MM of inflows over the last two weeks of May. However, at \$8.2B of outflows YTD, high yield funds account for nearly 40% of overall redemptions while comprising only 13% of total fund assets. We believe the high yield municipal market remains oversold and offers a unique investment opportunity.

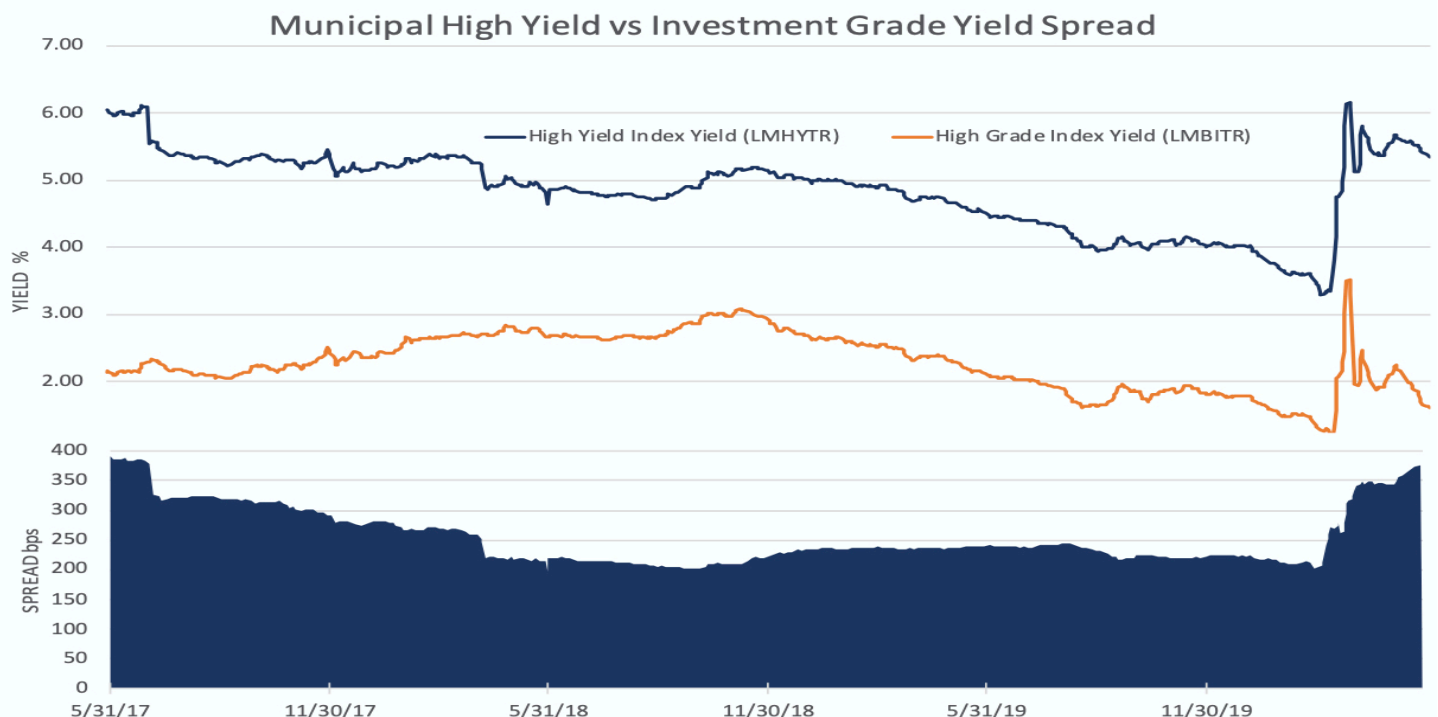
## OPPORTUNITY TODAY

Since mid-March, the LCP Team has promoted what we consider to be a generational investment opportunity in the high yield municipal market. We have highlighted: elevated municipal to treasury ratios, an inverted municipal curve, excess mutual fund leverage and resulting liquidations, the limited investor base, and tremendous market illiquidity resulting from massive retail investor redemptions. We have profiled every sector in which we invest and offered our outlook for each, with specific reference to the impact of the COVID crisis, federal legislative/financial support (CARES) and access to the Federal Reserve's Municipal Liquidity Facility (MLF).

We will illustrate the relative attractiveness of the high yield municipal marketplace and state once again, emphatically, that we believe the high yield municipal market is presenting a unique buying opportunity. We are able to populate diversified portfolios with performing assets in our targeted sectors at a taxable equivalent yield (TEY) in excess of 11.00%, for maximum federal tax bracket investors.

The graph below (Bloomberg Barclays Municipal Index (LMBITR) vs. Bloomberg Barclays High Yield Municipal Index (LMHYTR)) illustrates investors have to go back to the period following the presidential election in November 2016 to purchase high yield municipals at the same yield spread available now. From an absolute yield perspective, the best time to initiate during this cycle was on March 30<sup>th</sup>. However, from a spread perspective, today offers the most opportune time to initiate or add to an existing portfolio.

**The current spread of 376 bps additional tax-exempt yield is the widest in nearly 3 years.**



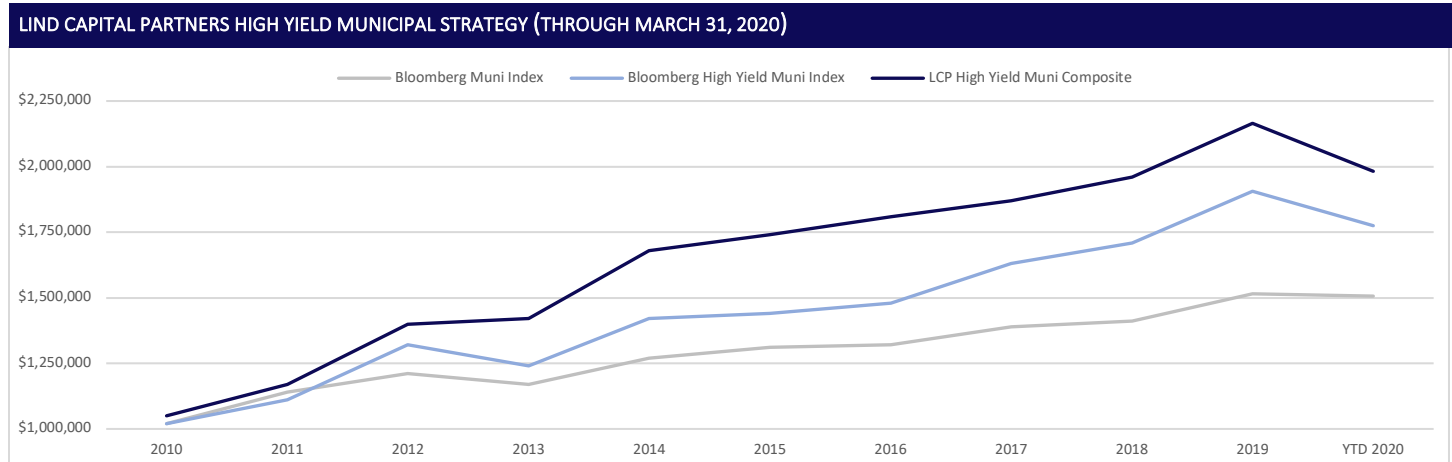
Simply stated, the high yield market has lagged the investment grade market, considerably. 10-year AAA municipal rates are now **lower** than they were on March 1<sup>st</sup>, despite state and local governments facing estimated losses from the COVID crisis of nearly \$1 trillion. While it is possible spreads will continue to widen, we feel strongly the high yield market offers considerably better value than the investment grade market.

Despite lagging investment grade index returns, as of May 28<sup>th</sup>, the high yield index had generated a positive return over the month. Previously discussed benchmark high yield issues, Buckeye Tobacco 5.00% due in 2055 and PR Sales Tax 5.00% due 2058 have both traded above \$99 versus their respective cycle lows in mid-March (Buckeye \$69 and COFINA \$72). Demand is returning, as evidenced by both positive returns and fund flows. The high yield market has clearly begun to mend.

A new investor may not attain the recent absolute highest yields; but, can initiate at the widest spread the high yield market has offered in nearly three years and earn taxable equivalent yields in excess of 11.00%.

Since March 1<sup>st</sup>, LCP has invested exclusively in the secondary market. Experience has taught the LCP Team to strategically purchase when the dominant buyers in our market, mutual funds, are sellers. We track their flows weekly (above) and, while always cognizant of what motivates mutual fund liquidations, we strive to buy when they have to sell. The new issue market for high yield issuers has been closed since March, the exception being the State of Illinois' poorly timed issue in mid-May. However, the high yield calendar is building nicely and likely to be robust through year end, according to our institutional sales coverage.

In the recent past, the municipal market has presented comparable buying opportunities: post financial crisis (2008), post Meredith Whitney comments (2010), post Fed Taper Tantrum (2013), and post presidential election selloff (2016). Each of these events resulted in a tremendously opportune time to invest. We feel strongly that the current environment will be viewed similarly in the years to come.



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.

## 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 3.31.20 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.*