

## MUNICIPAL MARKET STATISTICS

	07-01-21	06-01-21	07-01-20	07-01-18	07-01-16
10-Year AAA BVAL Municipal	0.99%	0.96%	0.84%	2.45%	1.43%
10-Year US Treasury	1.45%	1.60%	0.66%	2.86%	1.47%
10-Year Muni vs. Treasury	68%	60%	128%	86%	97%
IG Fund Flows YTD	\$44.5B	\$37.3B	\$2.0B	\$5.1B	\$25.7B
HY Fund Flows YTD	\$13.5B	\$11.1B	(\$7.5B)	\$2.4B	\$7.1B
New Issue Calendar YTD	\$218B	\$176B	\$197B	\$156B	\$2B

## LIND CAPITAL PARTNERS MARKET COMMENTARY

What a difference a year makes. One year ago, municipal market observers were expressing concern regarding underlying municipal credit quality, particularly of high yield borrowers. As recently as last August, economists forecast revenue lost due to COVID related economic shutdowns to be close to \$500 billion at the state level and an additional \$500 billion at the county, city and local levels. Yet by last July, mutual fund flows had begun recovering from the historic outflows experienced mid-March through early-May [IG (\$33B) - HY (\$14B)] and 30-year yield levels had fallen significantly from their highs on March 23<sup>rd</sup> [IG 3.52% - HY 6.16%]. While the first tranche of federal stimulus to cities and states of \$150 billion in May did provide some financial support, LCP commented in June 2020 on the divergence between retail investor confidence in the municipal market and economic forecasts. Fund flows remained positive over the last twelve months, with IG funds receiving \$98B and high yield funds \$19B, which in our opinion, drove the **extraordinary outperformance** of the municipal market relative to the US Treasury market (Exhibit 1).

Exhibit 1

	5 Year			10 Year			30 Year			LMBITR	LMHYTR		5 Year
	AAA	UST	Ratio	AAA	UST	Ratio	AAA	UST	Ratio	IG	HY	Spread	Inflation Expectations
July 2020	0.43%	0.31%	139%	0.84%	0.66%	128%	1.64%	1.43%	115%	1.52%	4.91%	339 bps	1.19%
July 2021	0.49%	0.90%	54%	0.99%	1.45%	68%	1.54%	2.10%	73%	1.02%	3.14%	212 bps	2.48%

The combination of states reporting better than expected revenue and federal aid totaling \$884 billion has resulted in a far better municipal market credit picture. J.P. Morgan reported the average decline in state revenue 2020 vs. 2019 was 0.12%, with a weighted average of 0.06%, virtually flat to 2019 compared to initial estimates as high as \$500 billion. Counties, cities and local governments experienced a more significant impact from COVID due to increased expenses and lower revenue. However, local governments raise 72% of their revenue from property taxes that benefit from rising property values. The dire forecasts of economic calamity at the state and local level have not been realized. Even the State of Illinois, the poster child of a state with a structural budget imbalance, massive unfunded pension and OPEB liabilities, received a ratings upgrade at the end of June.

## LIND CAPITAL PARTNERS MUNICIPAL HIGH YIELD COMMENTARY

Over the last fifteen months the high yield municipal market has recovered from April 2020's lows and has regained considerable ground relative to the investment grade market. At LCP, we still believe the high yield market offers upside potential relative to the general market, particularly in our targeted sectors.

Yet unquestionably the current environment presents challenges to us as investment managers due to continued strong demand for high yield paper. LCP remains steadfast regarding our stringent credit criteria. We continue to seek, and find, unique and interesting investment opportunities that do not fit for traditional mutual fund complexes. We do not need to modify our credit standards simply to populate portfolios with higher yields.

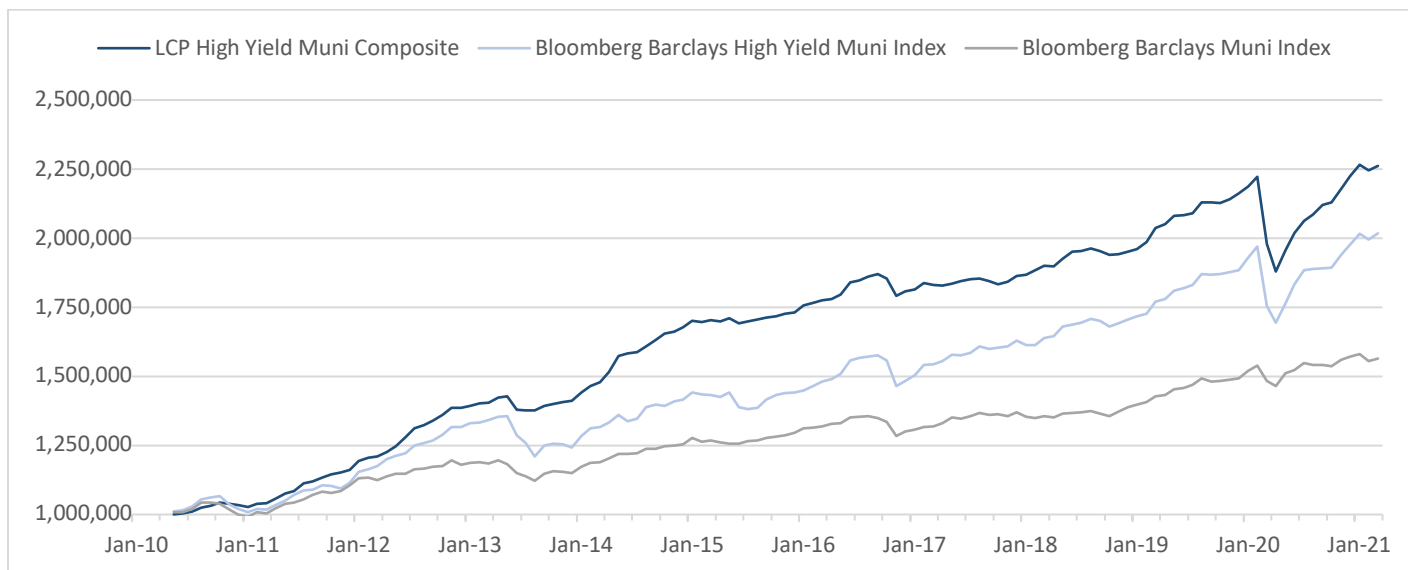
Today we are actively looking for defensively structured investments that will provide additional principal protection in a rising rate environment while generating high levels of tax-exempt income. We remain confident that portfolios with initiating tax-exempt yields of approximately 5.00% provide investors more than 100 basis points of protection against rising interest rates and significantly less risk than an investment grade portfolio in the current rate environment. Further, our sector's modest correlation to the treasury market gives us confidence that we will outperform both US treasuries and investment grade municipals (with similar duration characteristics) when interest rates begin to rise.

As we have often stated, we believe the high yield market provides investors protection from inflation, insulation from rising interest rates and a hedge against rising tax rates. For these reasons, as well as relative value to other asset classes, we believe the high yield municipal market will continue seeing strong demand through the balance of 2021.

As always, we welcome the opportunity to discuss the current state of the market, our investment strategy or market outlook.

**Milestone:** As of December 2020, LCP celebrated its 10<sup>th</sup> consecutive year of annual, positive total return. While always confident that our disciplined approach to the high yield municipal market was sound, we are grateful to see our investment thesis confirmed over an extended period of time

## LIND CAPITAL PARTNERS HIGH YIELD MUNICIPAL STRATEGY (THROUGH MARCH 31, 2021)

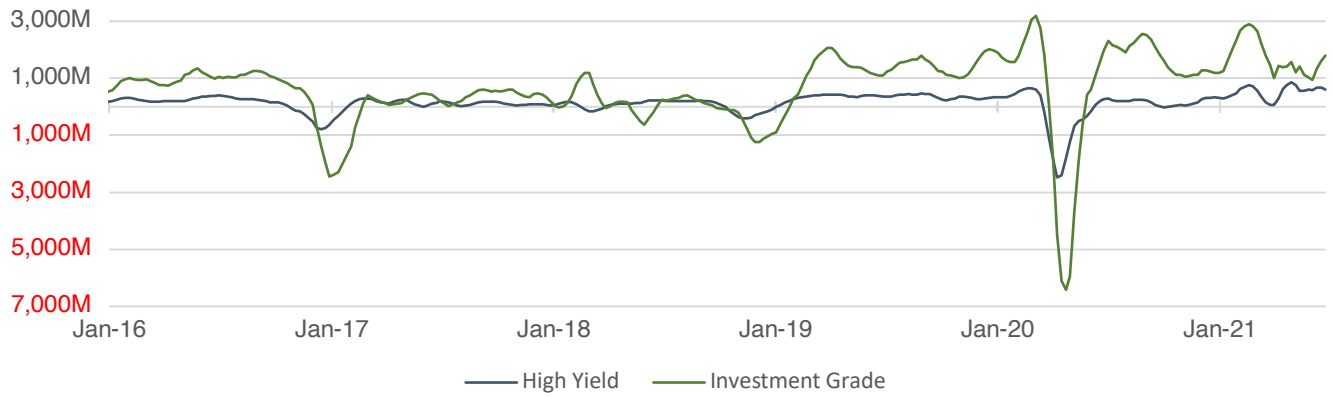


The chart above shows the increase in value of \$1,000,000 invested in the LCP composite at inception vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). Please contact us with questions regarding credit profile, returns, taxable equivalent yields or further portfolio information. Past performance is not indicative of future results.

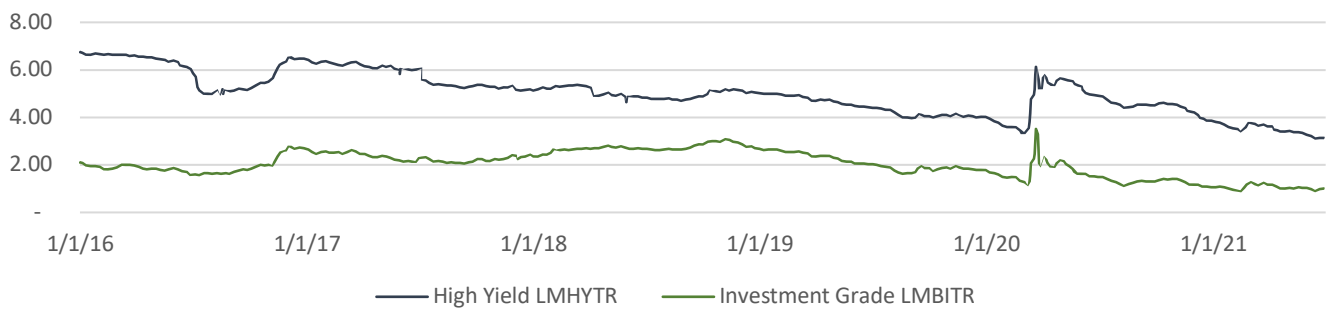
### DISCLOSURE

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. 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 March 31, 2021 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.

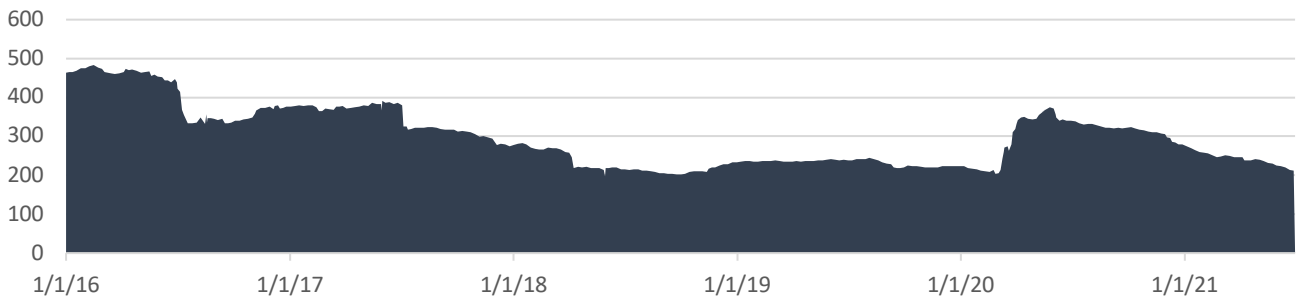
## Municipal Fund Flows 4-week Moving Average



## Municipal Index Yields



## Municipal High Yield vs. Investment Grade Spread



## Municipal vs Treasury Ratio

