LIND CAPITAL PARTNERS

Municipal Market Statistics

July 2023

	07-01-23	06-01-23	07-01-22	07-01-20	07-01-18
10-Year AAA BVAL Municipal	2.53%	2.65%	2.73%	0.84%	2.45%
10-Year US Treasury	3.84%	3.65%	3.02%	0.66%	2.86%
10-Year Muni vs. Treasury Ratio	66%	71%	90%	128%	86%
IG Fund Flows YTD	($8.7B)	($7.5B)	($63.0B)	$2.0B	$5.1B
HY Fund Flows YTD	$0.7B	($0.2B)	($12.9B)	($7.5B)	$2.4B
IG (LMBITR) Total Return YTD	2.68%	1.65%	(8.98%)	2.08%	(0.28%)
HY (LMHYTR) Total Return YTD	4.44%	2.61%	(11.77%)	(2.64%)	3.63%
New Issue Calendar YTD	$163B	$134B	$196B	$197B	$150B

Lind Capital Partners Municipal Market Commentary

- ***Municipal Market Performance***: Bloomberg Barclays Municipal Index LMBITR bounced back in June, returning +1.01% [+2.68% YTD]. The Bloomberg Barclays HY Municipal Index LMHYTR also posted a positive return for the month, up +1.78% [+4.44% YTD].
- ***AAA Municipal Benchmark Rates***: Driven by supportive seasonal technicals and strong credit fundamentals, the municipal market largely shrugged off global interest volatility and outperformed Treasury counterparts in June. The AAA muni benchmark curve rallied in June, with yields ultimately **falling** by 13 bps in 5 years, 11 bps in 10 years, and 13 bps in 30 years. For comparison, US Treasury yields **rose** by 36 bps in 5 years, 16 bps in 10yrs, and were unchanged in 30 years. As a resuit, relative to US Treasuries, the municipal market moved firmly into "*rich"* territory through 10 years.
- ***Mutual Fund Flows:*** Open-ended municipal mutual fund flows remained anemic in June. MTD, mutual funds experienced **outflows** totaling $382MM. That brings year-to-date outflows for funds to ($8B). Investors proved drawn to current yield levels offered by high yield funds, as they saw 4-straight weeks of inflows totaling nearly $1B. YTD fund **inflows** for HY increased to $684MM in June.
- ***Primary Market Supply:*** Municipal issuance started to accelerate in June, finishing the month around $33bn, up 10% YoY. YTD issuance remains muted, down 17%, but is expected to continue the June trend in the second half of the year. Going forward, as issuers depart the sidelines and access the capital markets, LCP expects the primary market to serve as an excellent place to deploy capital, especially when non-rated deals are currently being priced at historically attractive rates (and high coupons).
- ***SVB/Signature Bank (FDIC) Liquidation Update:*** The Blackrock/FDIC led liquidation of $7B lower-coupon, higher quality municipal bonds should finally be nearing completion this week. According to JP Morgan, as of June 30th, 95% of SVB & Signature Bank's municipal assets have been sold and easily absorbed by the market.

Lind Capital Partners Municipal Non-Rated Market Commentary

With the first half of 2023 in the rearview mirror, we thought we would look back to summarize the year to date and provide a glimpse of what we see ahead. We have always considered the supply-demand dynamic as the primary driver of municipal market performance. Market supply comes in two forms, primary market (YTD down 17%) and secondary. Secondary supply is tied to the demand component, mutual fund flows. While the market has experienced outflows in 2023, ($8.B), they do not compare to the exodus of 1H-2022 ($75B). High yield mutual funds have already seen a turnaround in flows, with nearly $1.0 B in June. With the Federal Reserve appearing to near the end of the tightening cycle, we expect retail investors to return to the market much more significantly. The increased demand component will be welcome to help absorb, what we believe will be a heightened new issue calendar in coming months.

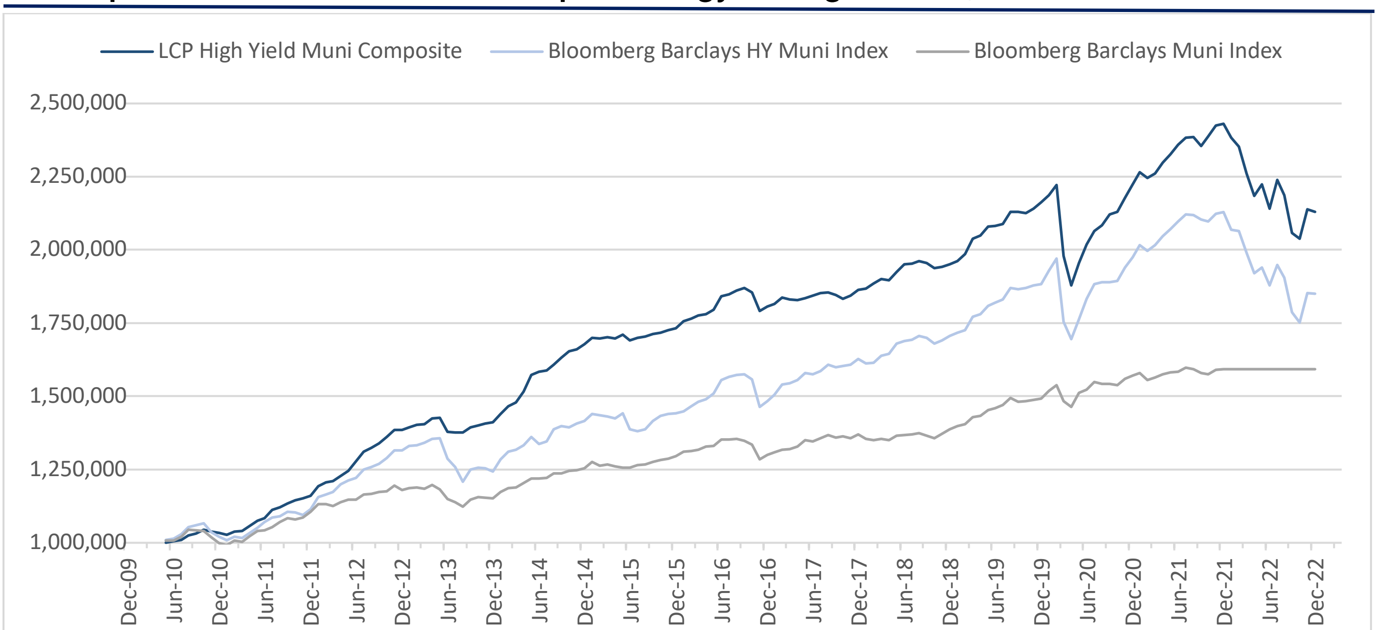
Currently rich UST vs. Municipal ratios (1-10 years) do not portend a period of significant IG market outperformance vs. US Treasuries. However, robust retail demand could provide the impetus for ratios to tighten further. While the investment grade market appears fully priced, we continue to see opportunity in lower rated and our non-rated segments of the municipal market. As is typical, these areas tend to fall faster and recover more slowly during periods of market dislocation. The non-rated market has become "*appointment based*" creating significant opportunity for investors willing to provide liquidity to impatient sellers. We regularly see price concessions of 50 to 100 bps from pricing service evaluations on secondary bid-wanted trades. Our secondary market strategy seeks to exploit this current market phenomenon.

New issue volume among non-rated borrowers has been picking up and we fully expect it to accelerate as we approach year end. As LCP investors know, our traditional non-rated 501(c)(3) borrowers are granted issuing authorization that typically expires at year end necessitating a "*Use it or Lose it"* mentality. We expect borrowers to assess their true needs vs. wants before coming to market. Borrowers that have returned to the market have been forced to accept pricing concessions of 50 to 75 bps from initial price discussions. As long as retail investors remain sidelined, we believe the illiquidity of the non-rated market will continue to present long-term investors with significant opportunities.

We are frequently asked "*Why not wait until the Fed is done before entering the market?"* We do not know when the Fed will be finished, but we believe for fixed income investors the real question should be *"How will the bond market react to further Fed tightening or the end of the tightening cycle?"* Rightly or wrongly, the bond market has been forecasting rate cuts due to a significant slowing of the economy and potential recession. We cannot predict where rates are headed, but we do know what is possible today. If the bond market reacts by driving interest rates lower by 50-100 bps, investors who waited may have missed this ***current market opportunity***. We continue to populate portfolios with tax-exempt yields around 7.50% or 12.67% taxable equivalent for investors in the maximum federal tax bracket[1]. These portfolios are designed to generate these levels of tax-exempt income for 10+ years which should compete favorably with most investors' equity market expectations, going forward. Generating equity like returns in a bond portfolio should have broad appeal among investors irrespective of near-term Fed action for diversification and providing a degree of certainty. A good long-term investment is, after all, a good long-term investment.

[1]Taxable equivalent yield = (Tax-Exempt Yield)/(1-Maximum Federal Tax Rate)

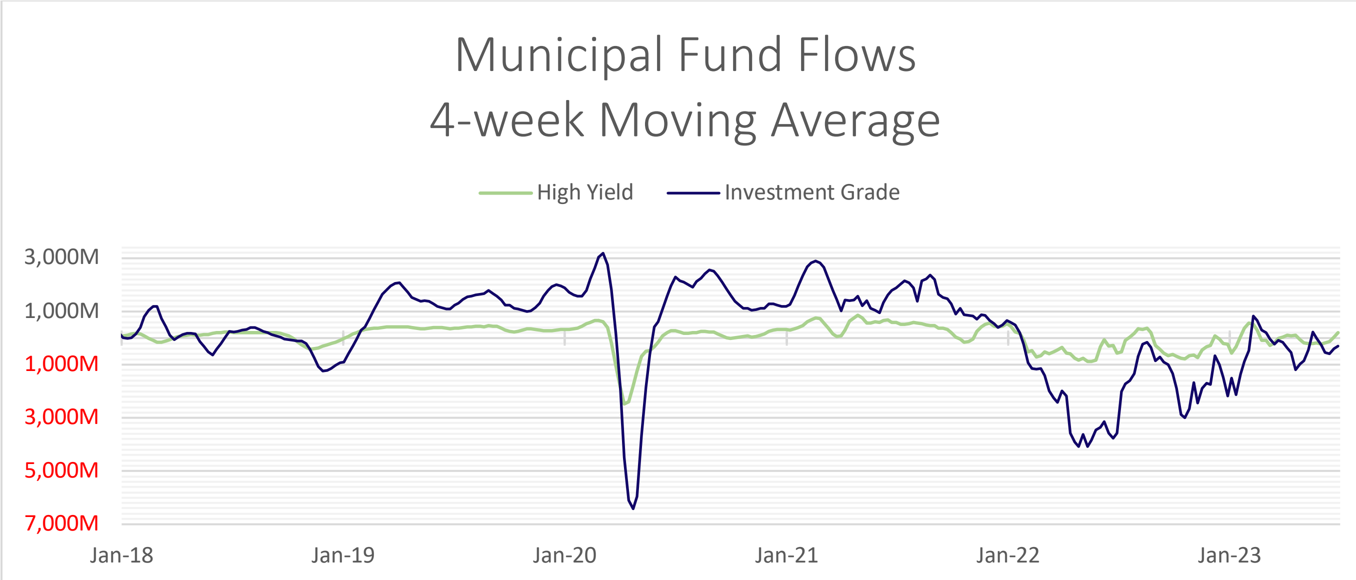
Lind Capital Partners Non-Rated Municipal Strategy (through March 31, 2022)

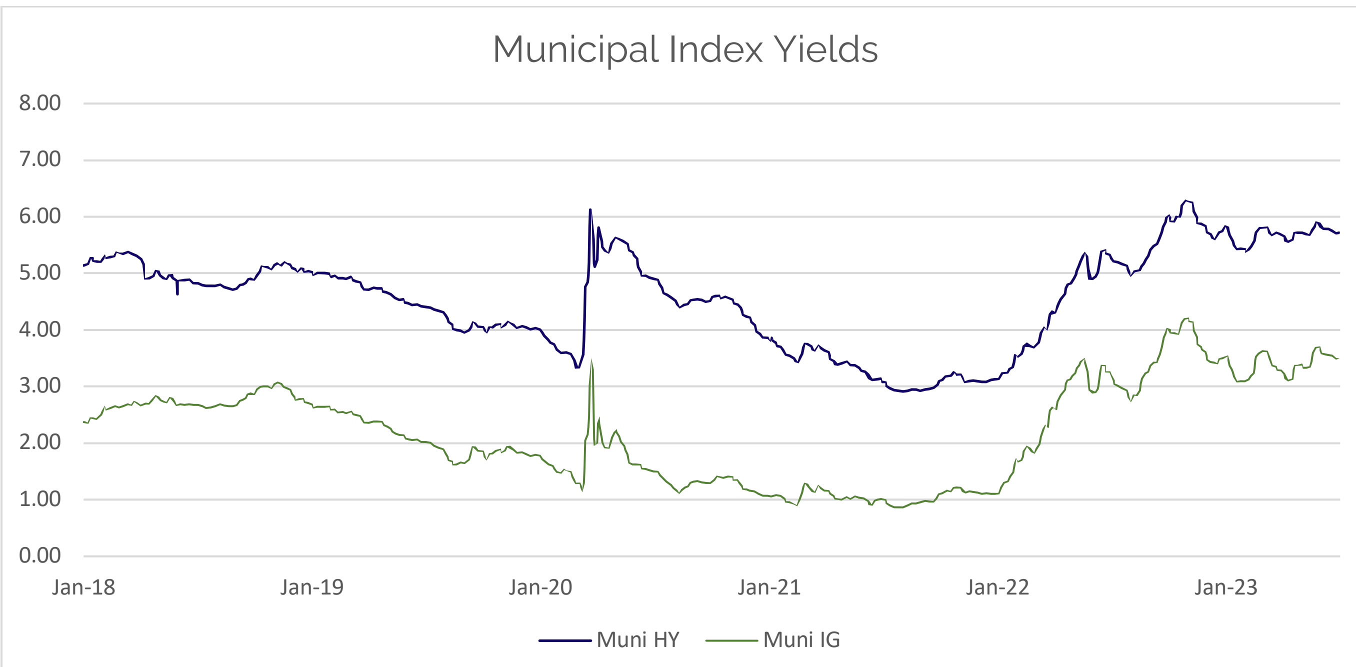


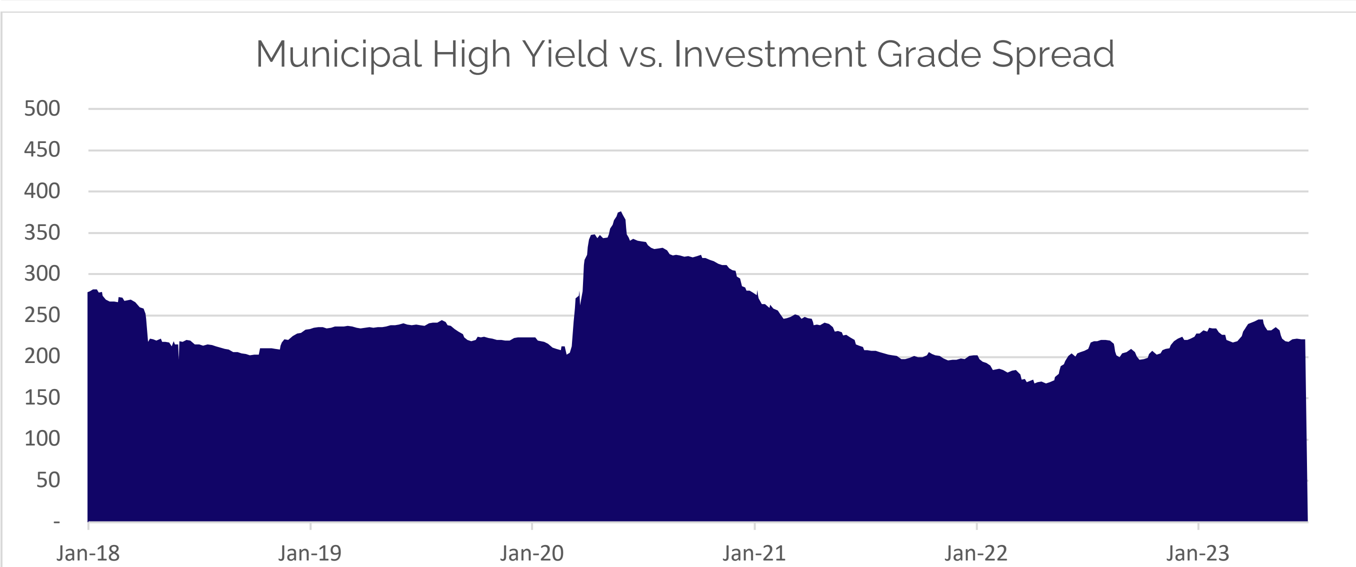
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index).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