LIND CAPITAL PARTNERS

August 2020

MUNICIPAL MARKET STATISTICS

	08-01-20	07-01-20	08-01-19	08-01-17	08-01-15
10-Year AAA MMD Municipal	0.64	0.84	1.52	1.95	2.19
10-Year US Treasury	0.54	0.62	2.01	2.29	2.19
10-Year Muni vs. Treasury	118%	135%	76%	85%	100%
Open End Fund Flows YTD	$3.9B	($5.7B)	$51.5B	$2.7B	$10.1B
New Issue Calendar YTD	$239B est.	$198B	$203B	$226B	$261B

MUNICIPAL MARKET COMMENTARY

While 10-year municipal vs. treasury ratios remain elevated by historical standards, they are slowly improving as investors acclimate to our 'lower for longer' rate environment. As of July 22nd, net YTD municipal mutual fund inflows turned positive for the first time since the end of March. Notably, net YTD high yield municipal mutual fund flows still remain at negative $5.9B which we feel offers investment opportunity (more below). On July 31st, benchmark high yield issues COFINA 5.00% due 2058 and Buckeye Tobacco 5.00% due 2055 both traded below 4.00%. At the market's lows in mid-March, both traded behind 7.00%.

OPPORTUNITY TODAY

The phrase "*Priced to Perfection*" has been used to describe the current state of corporate bond markets (investment grade and high yield), equity markets and investment grade (IG) municipal bond market in the midst of the current COVID crisis. Yet for the municipal market, it has been estimated that states, cities and local municipalities are facing revenue shortfalls between $500 billion and $1 trillion due to economic shutdowns/slowdowns. At this writing, while Congress debates how much federal support it will provide to municipalities, if any, IG municipal market yield levels are at or below pre-crisis levels. While we are uncertain what federal support will be provided, we are certain that insufficient monies will add to fiscal stress and likely lead to rating downgrades. Rating downgrades typically result in spread widening. For today's investor, even a modest 30 bp spread widening on a 2.00% IG portfolio with an 8-year duration would result in negative returns! If purchased at lower yields, portfolio returns go negative more quickly. LCP concludes the risk/reward in the IG market leans significantly towards the risk side.

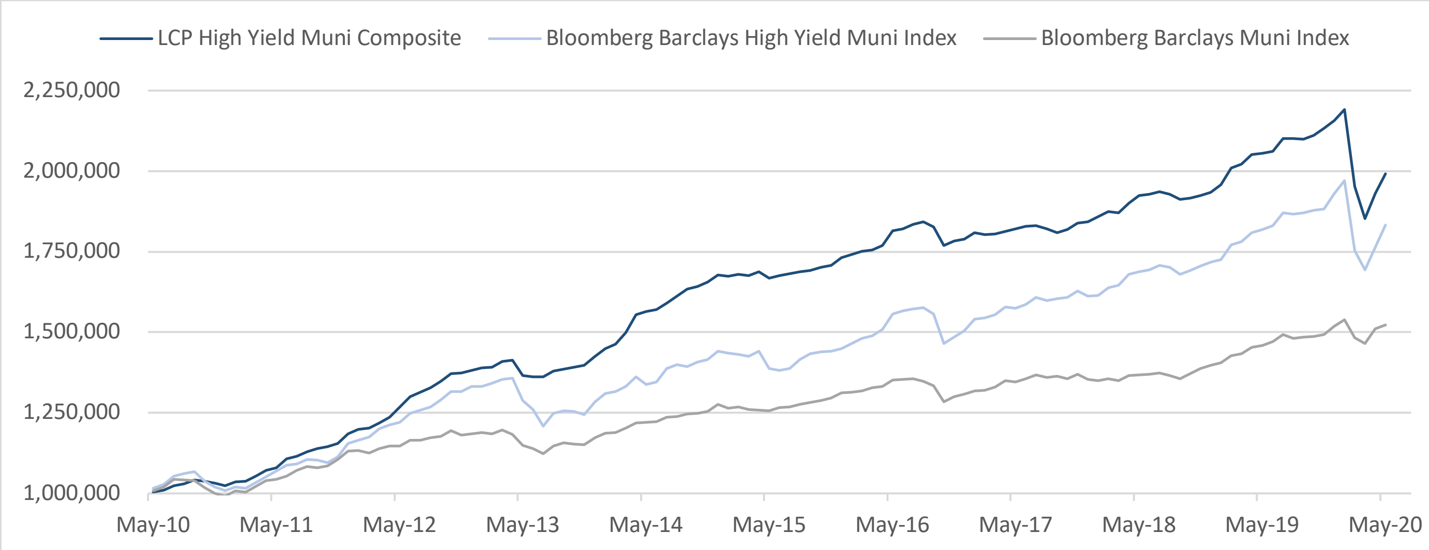
LCP believes the opposite is true in high yield munis. As we have spoken to since the onset of the COVID crisis, the high yield market performance has lagged that of the IG market. As of July 31st, the Municipal HY Index (LMHYTR) is 64 bps and 78 bps behind its 1-year and 3-year average spread versus the IG Index (LMBITR). Concerns regarding COVID impact on high yield sub-sectors, federal fiscal support for state and local governments, public and private sector layoffs and primary, secondary and higher education schedule uncertainty are all contributors to sector avoidance. Thousands of borrowers, supported by different revenue sources and collateral packages within sub-sectors, with smaller debt profiles and lack of institutional sponsorship, also contribute to the market's inefficiency and the resultant high yield sector lag. YTD high yield mutual fund flows remain negative.

Media headlines contribute to the lagging as well. According to the July 21st **Bloomberg Daily Brief: Muni**, Blackrock's Peter Hayes suggested investors avoid debt issued by senior living and long-term care facilities, small colleges, student housing, single site hospitals and borrowers highly correlated to hospitality, travel and leisure. While always respecting the opinions of our peers, we nonetheless are reminded of the cliché 'tossing the baby out with the bathwater'. When entire market sectors are painted with such a broad brush by a significant market participant, we are confident that investment opportunities exist in those very sectors.

LCP high yield portfolios with tax-exempt yields in excess of 6.00% contrast sharply with the IG Index 1.25% yield to worst today, particularly if the IG Index is '*Priced to Perfection'*. Avoiding the high yield muni market results in significant missed opportunity costs for investors. Multiple economists and fixed income analysts have forecast a prolonged period of zero interest rates, lasting anywhere from 5 to 10 years. Colin Robertson, Head of Fixed Income at the Northern Trust, believes the 2020s will be the **decade** of 0.00% rates. If the interest rate forecasts for 0.00% prove to be accurate, the compounded opportunity cost is even more significant. The prospect of rising tax rates only enhances the value of tax-exempt income, increasing the implications of avoiding the high yield municipal market.

Conclusion: Today an investor should assess the opportunity cost of high yield municipals versus alternative public market fixed income options. Investors should also consider the credit analysis and surveillance processes their investment advisor employs. At Lind Capital, we welcome both discussions.

LIND CAPITAL PARTNERS HIGH YIELD MUNICIPAL STRATEGY (THROUGH JUNE 30, 2020)



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. Please see additional important disclosures below.

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 June 30,.2020 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.