

## MUNICIPAL MARKET STATISTICS

	08-01-22	07-01-22	08-01-21	08-01-19	08-01-17
10-Year AAA BVAL Municipal	2.25%	2.73%	0.82%	1.51%	1.90%
10-Year US Treasury	2.65%	3.02%	1.16%	2.02%	2.30%
10-Year Muni vs. Treasury	85%	90%	70%	75%	83%
IG Fund Flows YTD	(\$68.4B)	(\$63.0B)	\$53.6B	\$38.9B	(\$1.2B)
HY Fund Flows YTD	(\$12.2B)	(\$12.9B)	\$16.7B	\$11.4B	\$3.9B
IG (LMBITR) Total Return YTD	(6.71%)	(8.98%)	1.94%	5.94%	4.40%
HY (LMHYTR) Total Return YTD	(8.64%)	(11.77%)	7.44%	7.33%	6.83%
New Issue Calendar YTD	\$230B	\$196B	\$60B	\$186B	\$211B

## LIND CAPITAL PARTNERS MARKET COMMENTARY

July brought welcome relief from the negative performance experienced in fixed income markets through the first six months of 2022. The municipal market benefited from falling UST rates, as well as technical factors leading to relative outperformance of the UST market. As we noted last month, supply was expected to slow and demand resulting from coupon reinvestment and maturing bonds was expected to provide a much needed ballast to what had been a volatile market. While investment grade fund flows were still negative over the month, the pace of outflows slowed considerably and did not create liquidity challenges. The slowing new issue calendar, typical for July and August allowed for orderly placement of new investment grade issues despite negative fund flows.

The high yield market outperformed the investment grade market in July (3.15% vs. 2.28%), but the yield spread between the two indices widened by nearly 15 bps. As we referenced earlier this year as spreads tightened while the high yield market underperformed, the dichotomy is attributed to the different bond structures in the two markets. Investment grade bonds are typically priced with premium coupons priced to a 10-year call while high yield bonds are priced at or around par, heightening sensitivity to interest rate changes.

## LIND CAPITAL PARTNERS HIGH YIELD MARKET COMMENTARY

The widening spread between the municipal IG and HY markets is typical in a falling interest rate environment, the HY market tends to lag recovery of other fixed income markets. This despite high yield fund flows being positive (\$700 million) in July. We believe investors are drawn to the high levels of tax-exempt income, both nominal and taxable equivalent, that today's market offers. With concerns increasingly shifting to the prospects of a recession in 2023 or 2024, current rate levels are compelling. Historically, the default rate for non-investment grade municipals is significantly lower than non-investment grade corporates and the recovery rate is significantly higher, according to Moody's Investor Services. Additionally, since the founding of LCP in 2010, the taxable equivalent return profile of the HY municipal market approaches that of the S&P 500 Index, with significantly less risk.

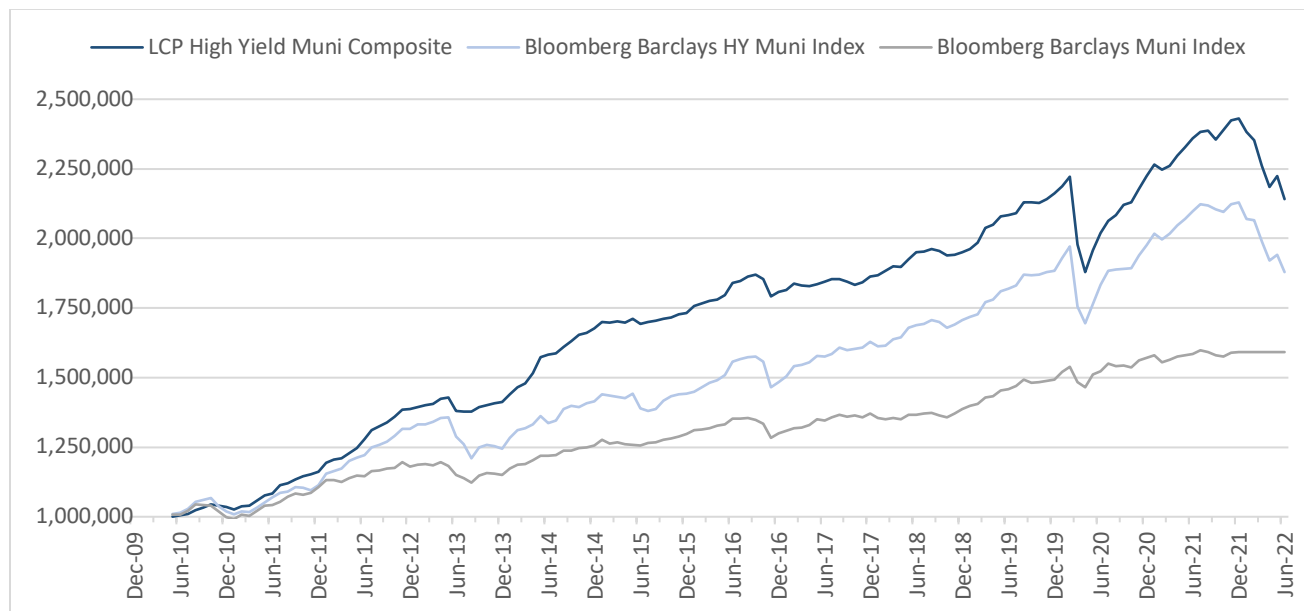
Comparing the market today to a year ago offers a very distinct contrast. In August 2021 LCP wrote "*Fund inflows in July continued the torrid pace, now totaling \$70B YTD and \$131B over the past 63 weeks. The supply-demand imbalance continues to be the driving force behind historically low municipal ratios vs. USTs*". We further stated "*While discipline and patience have always been hallmarks of our investment philosophy, they have never been more important than they are today*". In August 2021, we struggled to build portfolios with taxable equivalent yields approaching 8.50%. Today 10.50% - 11.00% taxable equivalent is readily attainable for initiating investors in the maximum federal tax bracket. What a difference a year makes.

We think investors looking to maximize after-tax returns and generate income should strongly consider increasing their allocation to the high yield municipal market. For investors not utilizing the high yield market, this is an opportune time to reallocate from the investment grade municipal market to the municipal high yield market. The opportunity cost of not making the allocation is significant, particularly when compounding over a 10-year time horizon is incorporated into the analysis. While interest rates will likely continue to be volatile going forward, high levels of tax-exempt income within a long-term portfolio can offset a lot price volatility. Should rates resume an upward trajectory, investors can always realize tax-losses and redeploy their capital at newly established higher rates, generating higher returns over the long term.

As always, we enjoy detailing our perspective on the market opportunity and welcome scheduling an update or introductory call.

**Milestone:** As of December 2021, LCP celebrated its 11<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.

## LIND CAPITAL PARTNERS HIGH YIELD MUNICIPAL STRATEGY (THROUGH JUNE 30, 2021)

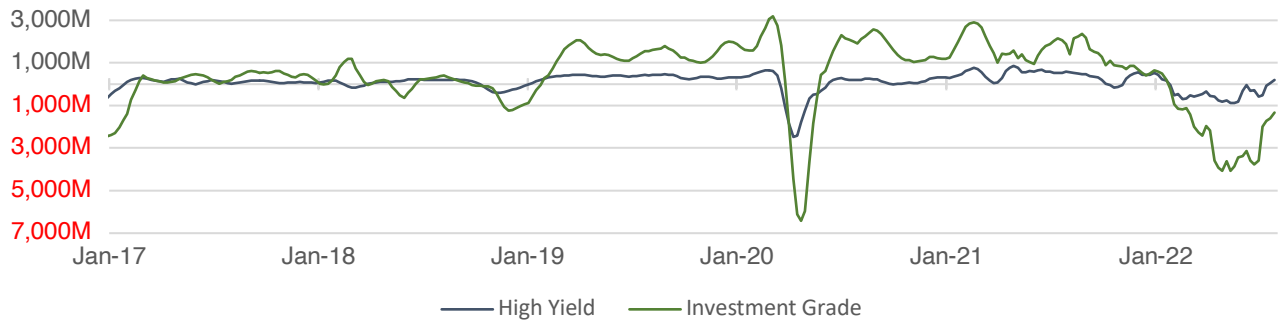


The chart above shows the increase in value of \$1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index).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

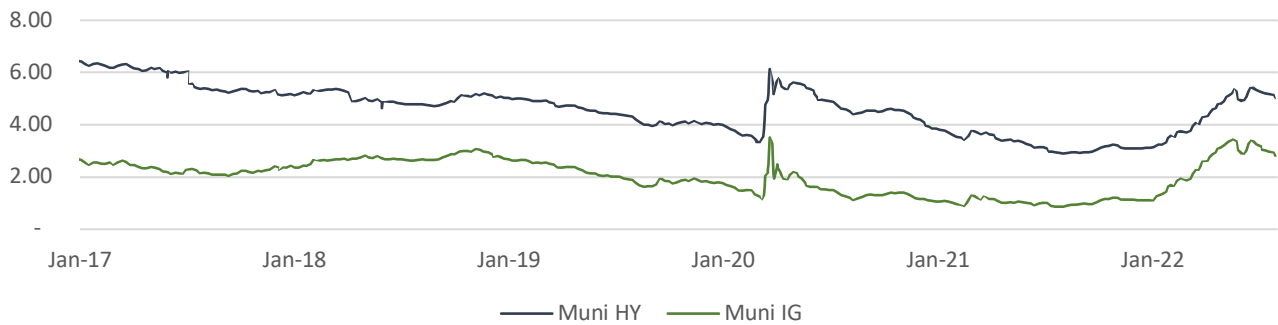
## DISCLOSURE

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@LindCapitalPartners.com](mailto:info@LindCapitalPartners.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.

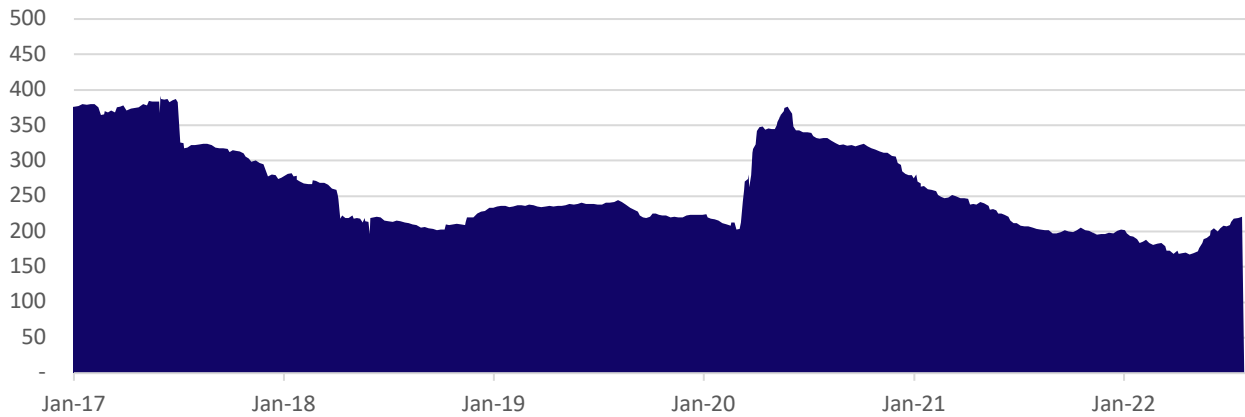
## Municipal Fund Flows 4-week Moving Average



## Municipal Index Yields



## Municipal High Yield vs. Investment Grade Spread



## Municipal vs Treasury Ratio

