

Municipal Market Statistics

August 2023

	08-01-23	07-01-23	08-01-22	08-01-20	08-01-18
10-Year AAA BVAL Municipal	2.51%	2.53%	2.25%	0.62%	2.47%
10-Year US Treasury	3.93%	3.84%	2.65%	0.53%	2.96%
10-Year Muni vs. Treasury Ratio	64%	66%	85%	117%	83%
IG Fund Flows YTD	(\$6.7B)	(\$8.7B)	(\$68.4B)	\$9.7B	\$6.8B
HY Fund Flows YTD	\$1.4B	\$0.7B	(\$12.2B)	(\$6.7B)	\$3.4B
IG (LMBITR) Total Return YTD	3.09%	2.67%	(6.58%)	3.80%	0.00%
HY (LMHYTR) Total Return YTD	5.07%	4.43%	(8.48%)	0.00%	4.04%
New Issue Calendar YTD	\$205B	\$173B	\$232B	\$246B	\$180B

Lind Capital Partners Municipal Market Commentary

- Municipal Market Performance:** Bloomberg Barclays Muni Index LMBITR ended July with it's second straight month in positive territory, posting +0.42% [+3.09% YTD]. The Bloomberg Barclays HY Muni Index LMHYTR continues to outperform it's investment-grade counterpart, returning +0.64% in July [+5.07% YTD].
- AAA Municipal Benchmark Rates:** The AAA muni benchmark curve took a summer breather and remained relatively unchanged in July, with yields only **falling** by 2bps in 5 & 10 years, and **rising** 1bp in 30 years. For comparison, US Treasury yields **rose** by 2bps in 5 years, 11bps in 10yrs, and 14bps in 30 years.
- Mutual Fund Flows:** Open-ended municipal mutual fund flows started to gain some momentum in July, experiencing over \$1.2B in **inflows** month-to-date. Year-to-date flows, however, remain firmly in the negative as **(\$6.7B)** have departed municipal fund complexes in 2023. High-yield mutual fund flows experienced 3-straight weeks of inflows to close out the month of July, ultimately totaling just over \$400M. Year-to-date fund inflows for HY increased to \$1.4B for 2023.
- Primary Market Supply:** Municipal supply finished the month around \$25B, down 9% YoY. Year-to-date issuance (\$205B) remains muted, down 16%, but is expected to continue to pickup as summer vacations cease & 2H23 begins in earnest. As we've said before, looking ahead, as issuers depart the sidelines to 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).

Lind Capital Partners Municipal Non-Rated Market Commentary

As our investors and followers know, part of our "Edge" is our willingness and ability to scour the little known and lesser traveled non-rated municipal bond market for unique investment opportunities. This allows us to take high-conviction positions within specific targeted revenue bond sectors, one of which is Higher Education. The lower and non-rated subset of Higher Education is comprised of approximately \$4B in outstanding tax-exempt debt. These colleges and universities are generally smaller, private colleges rather than large university systems. Colleges and universities have faced secular headwinds for quite some time.

Unfavorable demographic trends, which predated the COVID-19 pandemic, combined with increasing tuition costs have steadily pressured enrollment numbers. More recently, labor market stress, cost inflation, and the tapering of federal COVID-19 support have increased operational pressures on these institutions. The primary rating agencies (Moody's, S&P, and Fitch) have all highlighted these pressures in their sector outlooks. Over the years, many industry analysts have forecasted widespread closures and consolidations. While the overall volume of closures has been moderate, we have seen a number of closures (and municipal bond defaults) over the last few years. These closures seem to have cast a negative pall over the sector as a whole, likely leading investors to overlook and miss opportunities in higher education debt.

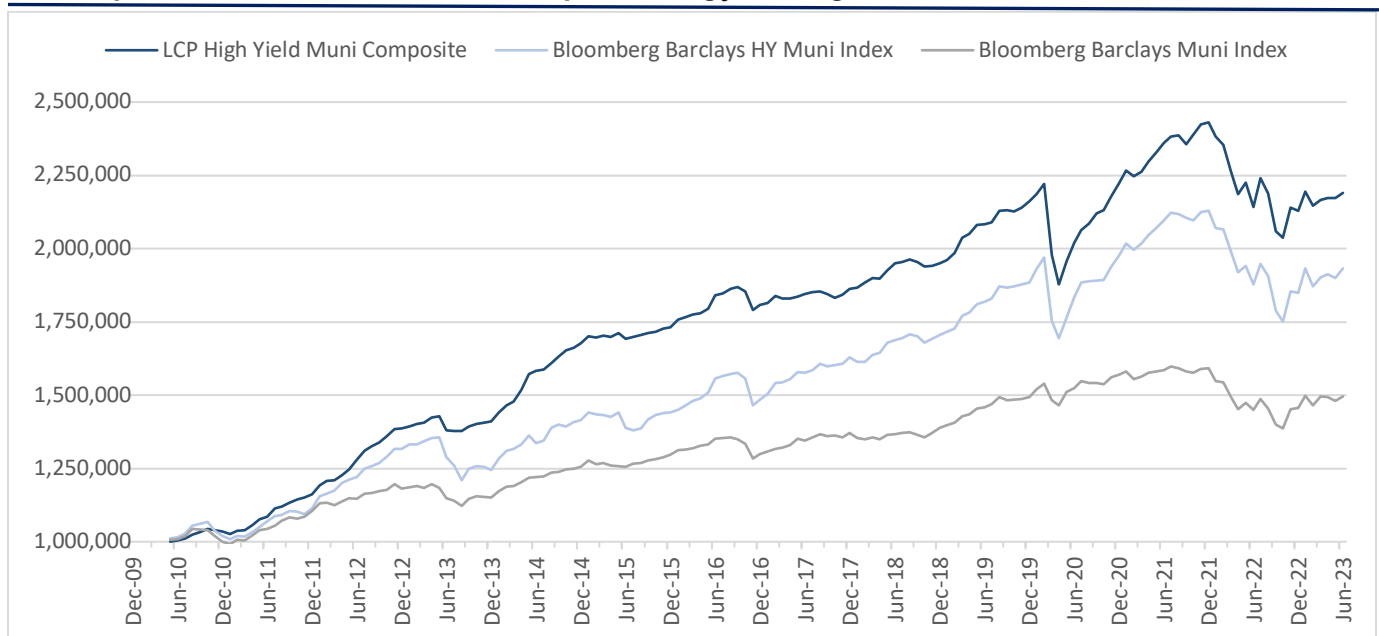
To successfully navigate and invest in the Higher Education sector requires active, in-depth credit management. LCP's credit framework identifies key risk factors that could signal an unfavorable future for the college, as well as fundamental credit strengths that support a college's ongoing success. Our high-conviction, concentrated portfolio approach requires our research team to maintain intimate knowledge of the idiosyncrasies of each borrower, which is imperative to identifying successful colleges in the face of secular pressures. A few key components of our analysis include:

- *Location, competitive environment, and supporting demographic information.*
- *Enrollment trends and, if declining, the pace of decline and sustainable threshold of enrollment.*
- *Strength of geographical and/or curriculum niche.*
- *Proven support of alumni base via annual giving and endowment.*
- *Amount of leverage and sustainability of debt burden.*
- *Leadership's willingness to make hard decisions on cost controls and focus on departments and programs that are operationally sustainable, rather than finding ways to "kick the can down the road."*

Using our framework, we seek to discover the "diamonds in the rough" for our investors, avoid credits that may be more susceptible to secular headwinds, and proactively divest credits we believe will deteriorate. Despite pressures in the sector, we believe by applying our "Edge" and taking an in-depth, concentrated view on credit, there is potential to uncover significant value within Higher Education.

Our Research Team will gladly discuss in greater detail the opportunities and risks we see in the Higher Education sector.

Lind Capital Partners Non-Rated Municipal Strategy (through June 30, 2023)



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 Non-Rated Municipal 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 Non-Rated Municipal 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. 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.

