LIND CAPITAL PARTNERS

Municipal Market Statistics **October 2024**

	10-01-24	09-01-24	10-01-23	10-01-21	10-01-19
10-Year AAA BVAL Municipal	2.61%	2.68%	3.51%	1.12%	1.46%
10-Year US Treasury	3.78%	3.90%	4.80%	1.49%	1.67%
10-Year Muni vs. Treasury Ratio	69%	69%	73%	75%	87%
IG Fund Flows YTD	$10.8B	$8.8B	($12.8B)	$69.5B	$51.1B
HY Fund Flows YTD	$9.8B	$8.3B	($0.6B)	$19.4B	$14.5B
IG (LMBITR) Total Return YTD	2.23%	1.30%	(1.80%)	0.79%	6.75%
HY (LMHYTR) Total Return YTD	7.42%	6.52%	(0.81%)	6.53%	9.69%
New Issue Calendar YTD	$358B	$329B	$267B	$335B	$271B

Lind Capital Partners Municipal Market Commentary

- **Municipal Market Performance and Benchmark Rates:** Municipal indices streak of positive monthly performance continued in September for both investment grade and high yield indices. The Bloomberg Municipal Bond Index (LMBITR) posted it's fourth straight month of positive performance, returning 0.93%, slightly outperforming the high yield counterpart for the first time this year. The Bloomberg Muni High Yield Index (LMHYTR) returned 0.90% in September, it's fifth-straight month of positive performance. Year-to-date, high yield's outperformance versus investment grade remains significant, as LMHYTR has returned **7.42%** vs **2.23%** for LMBITR.

  Despite the Federal Reserve's consequential decision to cut rates by 50 bps in mid-September, benchmark yields remained relatively stable, particularly on the intermediate and long end of the curve. The Bloomberg AAA Municipal Yield Curve ended the month lower by 10bps in 5 years, 7bps in 10 years, and 10 bps in 30 years. US Treasury yields were lower by 14 bps in 5 years, 12 bps in 10 years, and 7 bps in 30 years.

- **Mutual Fund Flows:** For the third-straight month, both investment grade and high yield municipal mutual funds experienced inflows every week. Investment grade funds have now experienced inflows 13 straight weeks while high yield funds' streak now extends to 23-straight weeks and 37 out of 39 weeks year-to-date. Inflows now total over $20B in 2024 and close to $10B for high yield funds. Notably, high yield funds have garnered nearly 50% of fund flows while constituting roughly 15% of the municipal market.

- **Primary Market Supply:** Municipal issuance totaled over $45B in September, a 15% increase YoY and the trailing 5 year average for September. Year-to-date new issue municipal supply remains elevated compared to 2023, as the market has experienced a 43% increase in supply YoY. Elevated municipal supply has been a major market theme this year and looking ahead, October should be no different as supply gets pulled forward with borrowers aiming to raise capital ahead of the November election. While we expect demand to remain steady, seasonal reinvestment capital will be lower and, coupled with elevated supply, should present compelling investment opportunities for non-rated municipal investors.

Lind Capital Partners Municipal Non-Rated Market Commentary

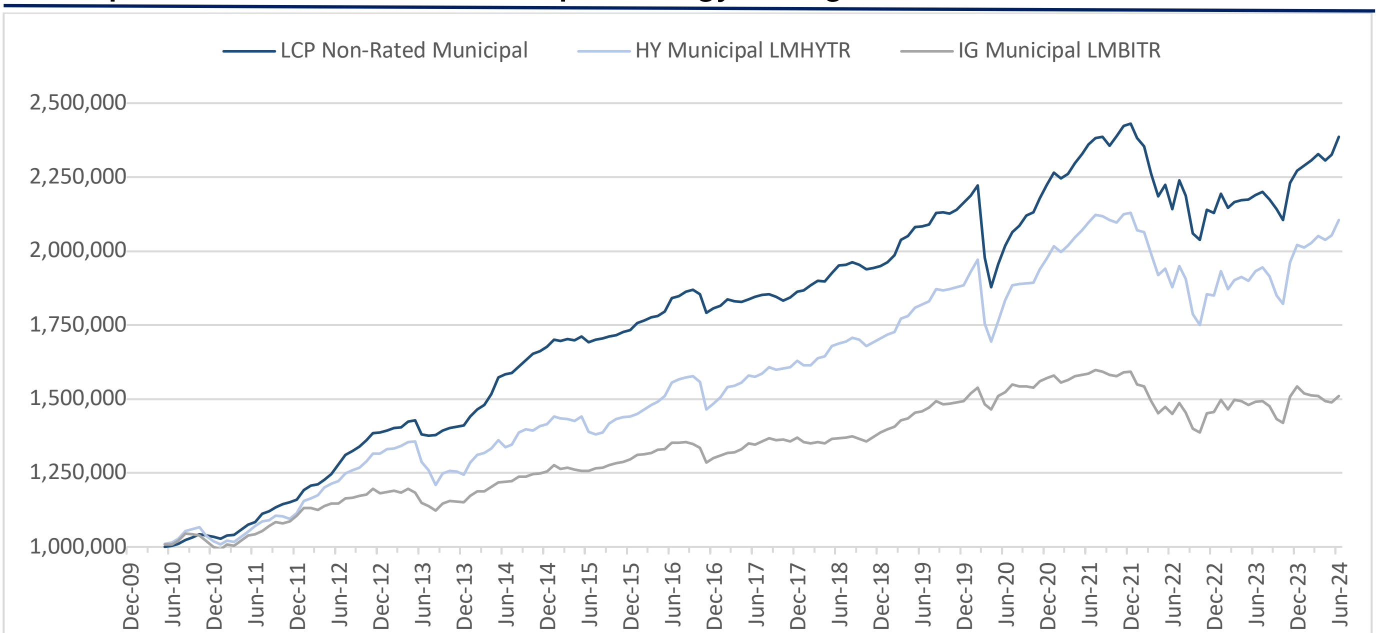
With the Federal Reserve having embarked on an easing cycle, the questions we are most frequently asked are "*Have I missed the opportunity?*" and "*Where do we go from here*?". While we are investing at lower rates today than the peak a year ago, we believe the market continues to provide opportunities for investors on both a relative **and** absolute basis. In the near term, we expect rates to remain steady due to the importance of supply and demand compared to UST rate movement.

Since the Federal Reserve announced a 50bp cut in the Fed Funds rate the week of September 16th, the yield on 30-year Treasuries has increased from 3.93% to 4.13%, reflecting a steeper yield curve. Additionally, as we often note, the 4th quarter is the most opportune time for investors to deploy capital in the non-rated market, particularly this year. Traditionally, 501(c)3 borrowers receive issuing capacity from a conduit that expires at year end. This leads to a natural increase in issuance in late Q3 and Q4 each year (40-45% of annual issuance during the last 4 months of the year). This year, we believe many borrowers have been waiting on Federal Reserve action to take advantage of market certainty and hopefully lower rates. As a result, we are seeing a very heavy non-rated new issue calendar through year-end. Given the positive nature of high yield fund flows, we expect the larger issues to do well with solid demand. However, given the sheer number of issues coming to market, we anticipate (and have already seen) a number of smaller issues (<$25 million) fall through the cracks and require yield concessions to be successfully placed. This trend should continue through year end.

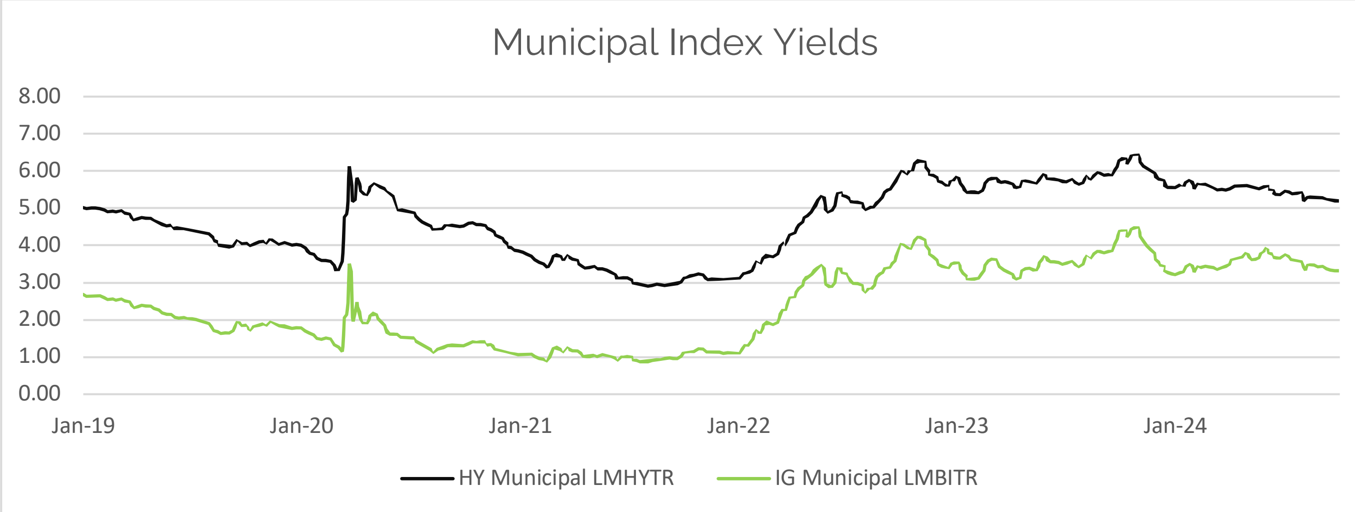
Going forward, we recognize the non-rated sub-sector of the high yield market tends to lag in both a rising and falling interest rate environments. The reason for this is relatively straightforward. Rising and falling rate environments are typically associated with significant outflow and inflow patterns among open end mutual funds. Whether buying or selling, open end mutual fund managers usually buy or sell their "most liquid" holdings, which are often the largest issues in the market. This results in higher price volatility than smaller, non-rated issues that trade with much less frequency. It takes time for the smaller issues to "*catch up*" from a price perspective. As a result, the historical correlation between Non-Rated Municipals vs. US Treasuries is less than 0.5. Investors today in the non-rated market benefit from the non-correlated nature of the market and should benefit over the longer term if broader rates continue to decline. Finally, investors today continue enjoy structural benefits associated with the lagging nature of our market. We continue to populate portfolios with significantly discounted bonds, providing investor protection in a falling rate environment.

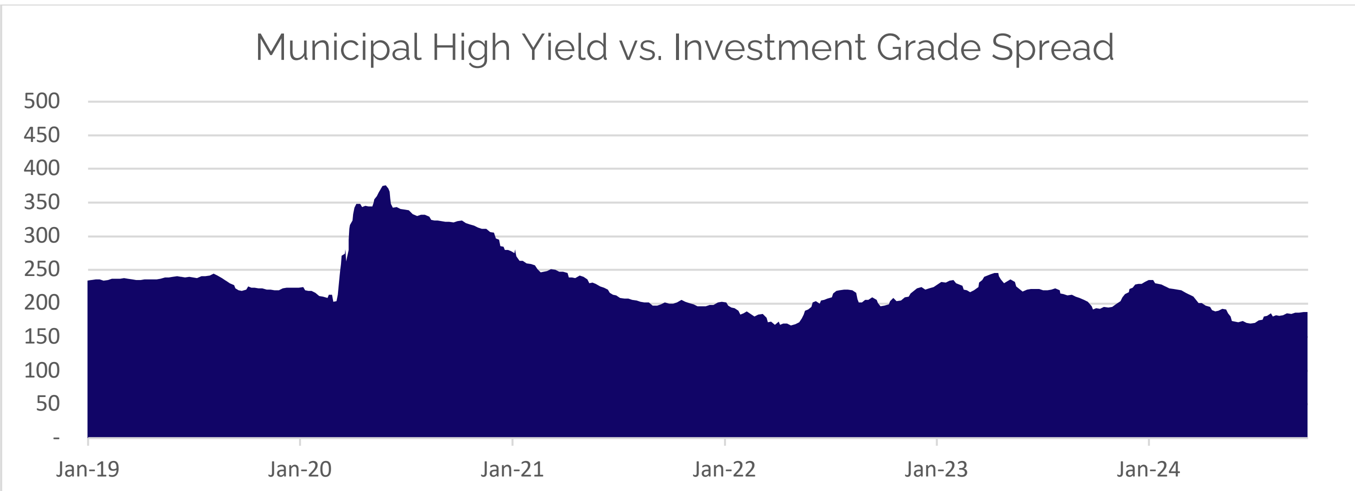
So, investors waiting for Federal Reserve to signal "*All Clear*" with several more rate cuts might miss opportunities in fixed income, but for the foreseeable future, the non-rated market provides opportunity from both an absolute and relative value perspective.

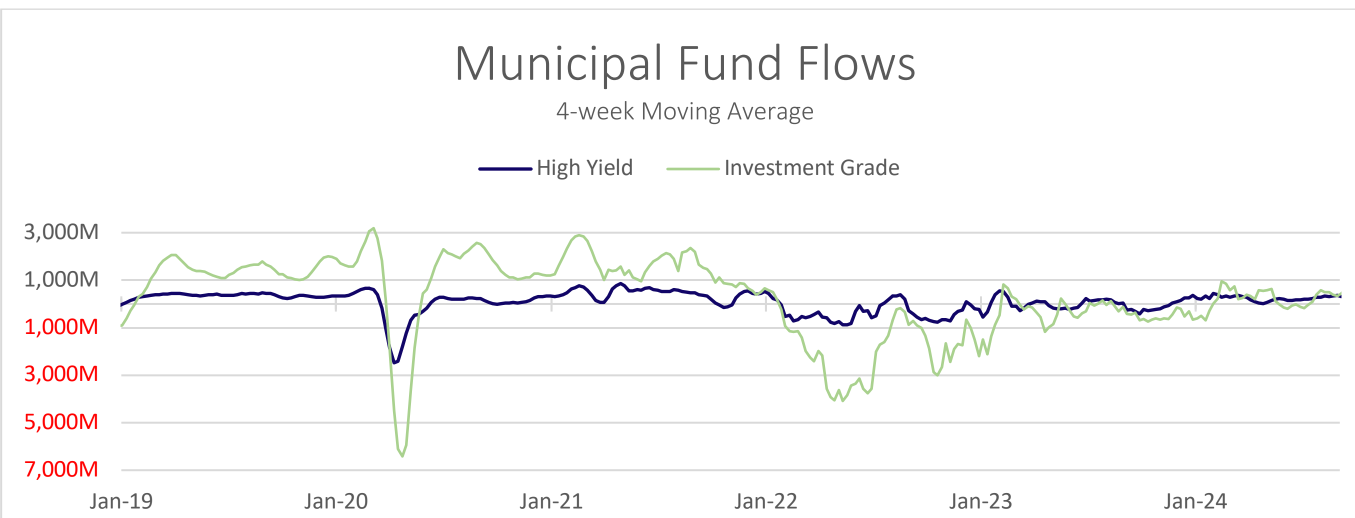
Lind Capital Partners Non-Rated Municipal Strategy (through June 30, 2024)



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.







Sources: Refinitiv and Bloomberg LP

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@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. Taxable equivalent yield = (Tax-Exempt Yield)/(1-Federal Tax Rate).