

## MUNICIPAL MARKET STATISTICS

	11-01-20	10-01-20	11-01-19	11-01-17	11-01-15
10-Year AAA MMD Municipal	0.92	0.80	1.49	2.01	2.04
10-Year US Treasury	0.84	0.67	1.70	2.39	2.17
10-Year Muni vs. Treasury	110%	119%	88%	84%	94%
IG Fund Flows YTD	\$26B	\$21B	\$73B	\$11B	\$8B
HY Fund Flows YTD	(\$6B)	(\$6B)	\$16B	\$5B	\$1B
New Issue Calendar YTD	\$403B est.	\$343B	\$315B	\$334B	\$351B

## MUNICIPAL MARKET COMMENT

While both 10-year municipal and treasury benchmarks gave ground in October, municipal to treasury ratios still readily favor municipals for all tax sensitive investors since municipal yields are well above 100% of comparable treasuries. Ratios are likely to remain elevated due to absolute yield levels. Municipal new issue supply is on a pace to match or exceed the highest volume in history, aided by record of taxable municipal issuance. Presently, elevated market supply exceeds soft investor demand, generating investment opportunities, especially in the high yield market.

## MUNICIPAL HIGH YIELD MARKET TODAY

Approaching year-end with interest rates hovering near all-time lows, investors are struggling to find ways to generate portfolio income. Investment strategists question the efficacy of the 60/40 model and suggest increased allocations to domestic or international equities, currencies, structured credit or corporate high yield as possible solutions, despite the impact of the Federal Reserve on current market pricing and relative value. At LCP, we strongly believe the high yield municipal market provides an intelligent high-income solution for tax sensitive, as well as taxable, investors. Further, a high yield portfolio provides greater insulation from rising rates and inflation in addition to an embedded hedge against potentially rising federal tax rates relative to an investment grade portfolio.

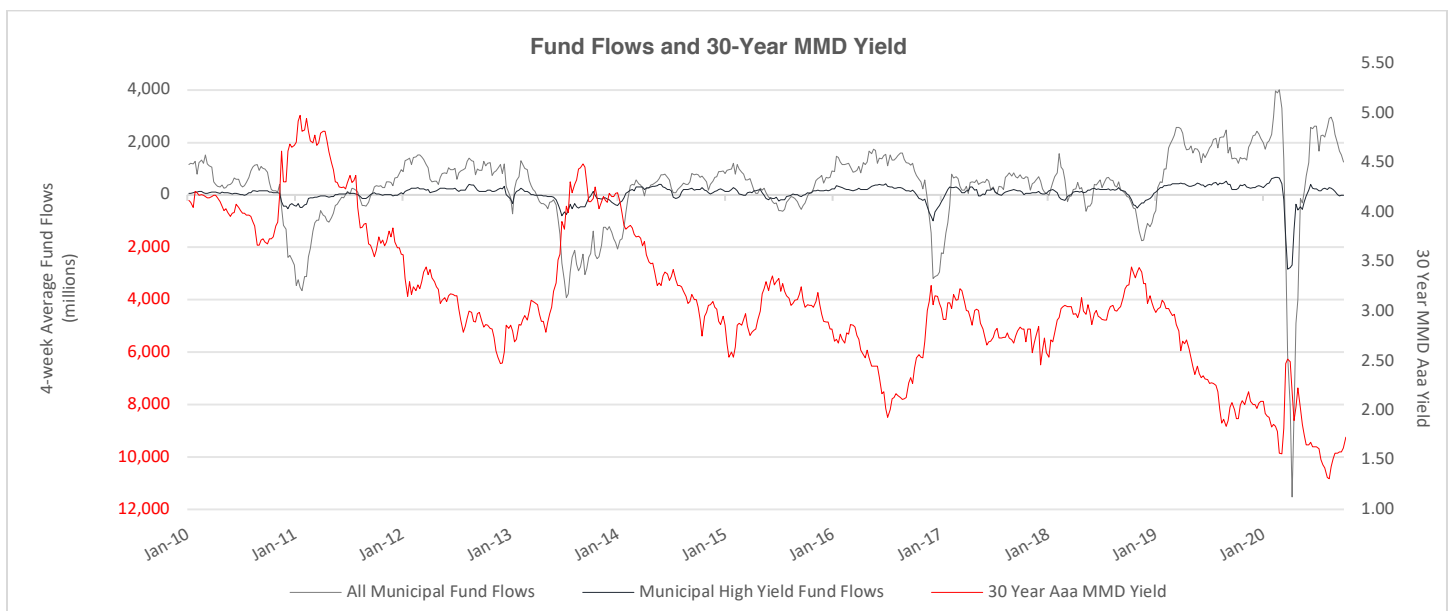
How can LCP readily populate portfolios with tax-exempt yields in excess of 6.00% today when 5.00% was a challenge at the start of the year? Investor concern in the current COVID environment regarding borrowers' ability to re-pay debt hangs heavily over the entire municipal market, particularly the high yield market.

Retail concern is evidenced by YTD high yield mutual fund outflows referenced above (\$6B). More telling, total high yield fund outflows since March 1<sup>st</sup> this year are negative (\$11B), in sharp contrast to \$16B worth of HY fund inflows at the same time in November of 2019. At that time Bloomberg noted *"The relative value for high yield municipal bonds is becoming less obvious as fund inflows, on a pace for a record year, have left spreads at multiyear lows"*.

The Federal Reserve estimates retail investors own up to 80% of outstanding municipal bonds. Fund flows are a measure of retail investment interest in the municipal market and are the primary driver of municipal yield and spread levels (see chart below). As a result of the negative fund flows, the Bloomberg Barclays Municipal High Yield Index is currently 25 and 61 bps wider than the 1 and 3-year averages, respectively. LCP's focus on our intentionally chosen market sectors permits initiating investors to earn tax-exempt yields in excess of 6.25% today, a taxable equivalent of 10.50% for maximum tax bracket investors.

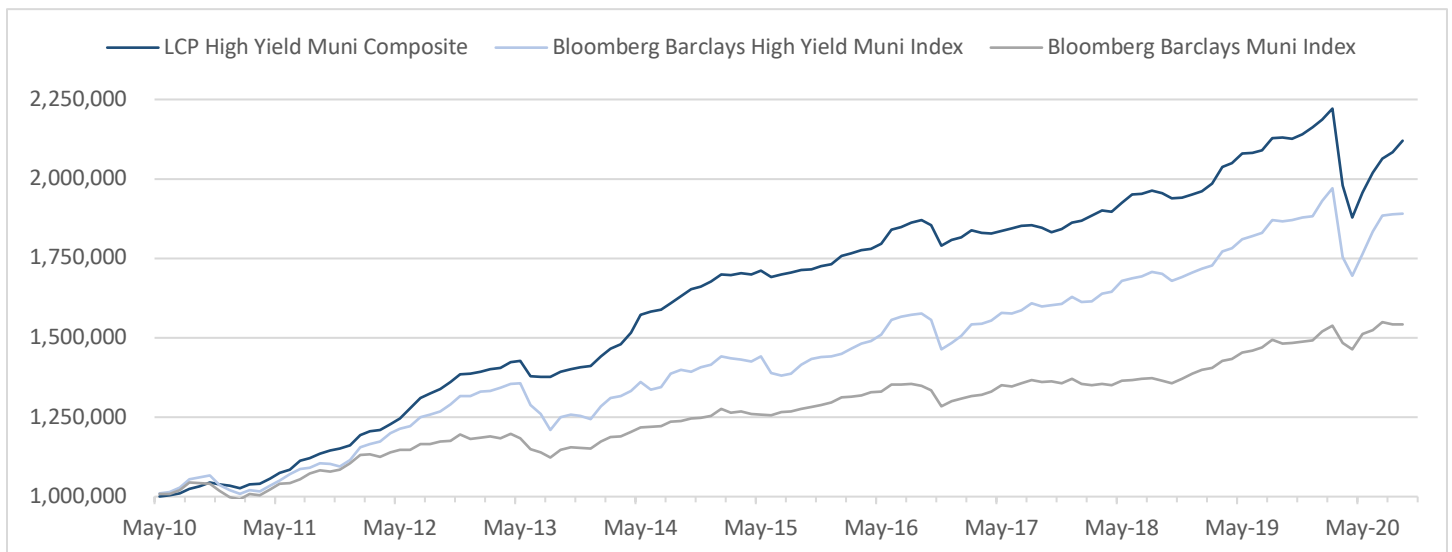
**Conclusion:** Given the traditional heavy Q4 primary market issuance combined with a soft secondary market, LCP reiterates investors should consider an allocation to high yield municipal bonds. LCP is now seeing non-traditional (tax-exempt institutions) investors actively investing in our market. Risk/reward metrics continue to favor high yield over investment grade given absolute yield levels. An investment grade investor that purchased 10-year AAA bonds at .80% on October 1<sup>st</sup> has an annualized loss due to the mere 12 bps rise in rates in October (see above). The high yield municipal market provides a solution to the challenges investors face in this 0.00% rate environment

COVID impact on specific borrowers is of paramount concern for investors today. If credit analysis was important one year ago, it is infinitely more important today. We welcome the opportunity to discuss how our credit team's evaluation of our target sectors and individual credits has evolved since the onset of COVID.



Sources: Refinitiv Lipper and Municipal Market Data

#### LIND CAPITAL PARTNERS HIGH YIELD MUNICIPAL STRATEGY (THROUGH SEPTEMBER 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 adviser 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 September 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.