LCP LIND CAPITAL PARTNERS

Municipal Market Statistics **November 2023**

	11-01-23	10-01-23	11-01-22	11-01-20	11-01-18
10-Year AAA BVAL Municipal	3.63%	3.42%	3.38%	1.53%	2.74%
10-Year US Treasury	4.87%	4.57%	4.05%	1.77%	3.15%
10-Year Muni vs. Treasury Ratio	75%	75%	83%	86%	87%
IG Fund Flows YTD	($15.4B)	($11.8B)	($87.0B)	$56.3B	$6.6B
HY Fund Flows YTD	($1.2B)	($0.2B)	($17.7B)	($16.1B)	$3.3B
IG (LMBITR) Total Return YTD	(2.28%)	(1.15%)	(12.86%)	(0.83%)	(1.01%)
HY (LMHYTR) Total Return YTD	(1.68%)	0.48%	(17.75%)	(1.03%)	3.15%
New Issue Calendar YTD	$306B	$267B	$321B	$318B	$269B

Lind Capital Partners Municipal Market Commentary

- ***Municipal Market Performance***: Continued US Treasury rate volatility, culminating with higher absolute rates, dragged municipal performance down in October, extending the asset class' losses from September. Bloomberg Barclays Muni Index LMBITR posted a loss of -0.90% this month, and is down -2.28% YTD. High-yield municipals, entering the month flat YTD, followed suit, with the Bloomberg Barclays High Yield Index LMHYTR recording a loss of -1.68% in October.
- ***AAA Municipal Benchmark Rates***: The march higher in municipal rates continued in October as the AAA muni benchmark curve pushed upwards with yields rising by 16bps in 5 years, 20bps in 10 years, and 23bps out in 30 years. For comparison, US Treasury yields rose by 24bps in 5 years, 36bps in 10yrs, and 39bps in 30 years.
- ***Mutual Fund Flows:*** Open-ended municipal mutual fund flows remained decidely negative in October, ultimately experiencing nearly $4bn in outflows. This extends the losses from municipal fund complexes in 2023 which now totals $17B year-to-date. High-yield mutual fund flows felt the same pain in October, as high-yield funds experienced outflows 4 out of 4 weeks, totaling just shy of $1bn . High-yield flows are now negative year-to-date, with outflows of $1.2B.
- ***Primary Market Supply:*** Municipal supply finally started to pick up in October and ultimately finished the month around $38bn (up 36% YoY). Year-to-date issuance ($321bn) remains down 5% vs. 2022.
- ***Looking Ahead:*** As long as volatility persists in the US Treasury market, we expect volatility in the municipal market. Market technicals are likely to keep rates elevated for the foreseeable future. Retail investors remain sidelined, likely waiting for affirmation that the Federal Reserve has reached their destination regarding terminal rates. We expect traditonally elevated Q4 supply as 501c3 borrowers access the market before year end to avoid having to reauthorize issuance. The backdrop of muted demand and elevated supply provides opportunistic, long-term investors an excellent entry point, in our opinion.

Lind Capital Partners Municipal Non-Rated Market Commentary

Investors have been innundated with commentary regarding the attractiveness of fixed income from all fronts. Asset management firms are touting "***A New Day in Fixed Income***", the Wall Street Journal highlighted ***"Earn 4.50% with No Taxes? How to Invest in Municipal Bonds"*** (October 19, 2023) and Barron's ran a cover story (yes, a cover story) on the bond market, ***"It's Time to Stop Crying About Bonds and Buy Them Instead"*** (October 30, 2023). The common themes among the articles and various posts have been largely twofold: It has been a painful path for fixed income investors getting to the current environment but, now that we are here, bonds are offering the highest rates we have seen in over a decade. Most of the commentary we have read has dealt with absolute yield levels and their historic attractiveness.

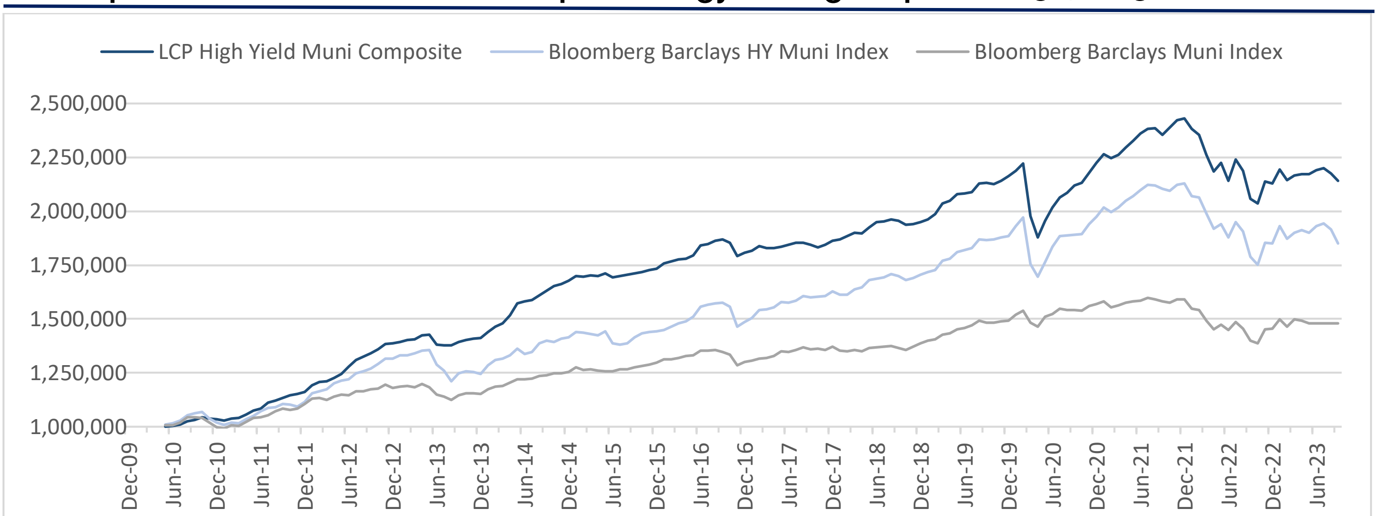
Perhaps our favorite market observer is Howard Marks, Co-Chairman of Oaktree Capital Management and author of **"*Memos from Howard Marks*"** (www.oaktreecapital.com/insights). First, he often writes on credit markets, albeit taxable credit, a market we follow closely. Second, his writing style is very approachable and is rooted in common sense. A former colleague shared a recent Marks memo, ***"Further Thoughts on Sea Change***" (October 11, 2023) which was originally written for Oaktree clients in May before being shared more broadly this month. Rather than focus merely on current rate levels, he delved into the implications of the tectonic shift occuring across the investment landscape as the Federal Reserve aggressively reverses 13 years of zero interest rate policy. According to Mr. Marks, ***"This memo's main message is that the changes I described in Sea Change, aren't just usual cyclical fluctuations; rather, taken together, they represent a sweeping alteration of the investment environment, calling for significant capital reallocation."*** The sea change he describes includes the end of ultra-low interest rates, that made cash flows more valuable, asset holders complacent and buyers eager. The likely results of higher interest rates are tougher times for corporate profits, for asset appreciation, for borrowing and for avoiding defaults. "***Bottom line: If this really is a sea change – meaning the investment environment has been fundamentally altered – you shouldn't assume the investment strategies that have served you best since 2009 will do so in the years ahead*.**"

We certainly agree with recent market commentary focusing on the attractiveness of absolute yields in fixed income. But Mr. Marks' insights highlight deeper factors for investors to consider. The days of easy money are over, and the effects will be felt throughout the economy and all asset classes. Investors should consider how the new rate environment may impact equity return expectations, the downside risk to those returns, and how they value the risk/return tradeoff…especially when fixed income yields now offer the opportunity for equity-like returns. We agree with Mr. Marks' conclusion that the "Sea Change" requires a reassessment of asset allocations.

The non-rated municipal market certainly offers an equity alternative, with tax-exempt. yields +/-7.50% or 12.50%+ taxable equivalent for maximum federal tax bracket investors. In addition, underlying credit fundamentals support reallocation to an asset class. The credit landscape in our target revenue bond sectors is as strong or stronger than any time since the onset of COVID. In the new, higher rate environment our borrowers benefit from having locked-in long term financing in the era of ultra-low rates, minimizing refinancing risk and rising cost of capital that may plague corporate assets. These loans are typically fully amortizing, deleveraging and improving credit with every principal payment. Further, the level of essentiality of our borrowers provides insulation from a potential economic slowdown. Lastly, constructing portfolios in today's market consists of bonds priced at deep discounts to par, providing investors with total return potential should interest rates decline.

As investors consider the new landscape, it is essential they consider the risk-reward equation that has historically been skewed to equities. In his memo, Mr. Marks recalls rhetorically suggesting to the investment committee of a non-profit to sell all of their equity assets and invest 100% in high yield bonds, which would far exceed their 6% investment objective. Individual investors might consider a similar thought exercise. If you could achieve your long-term investment objectives with 100% allocated to fixed income…. why wouldn't you?

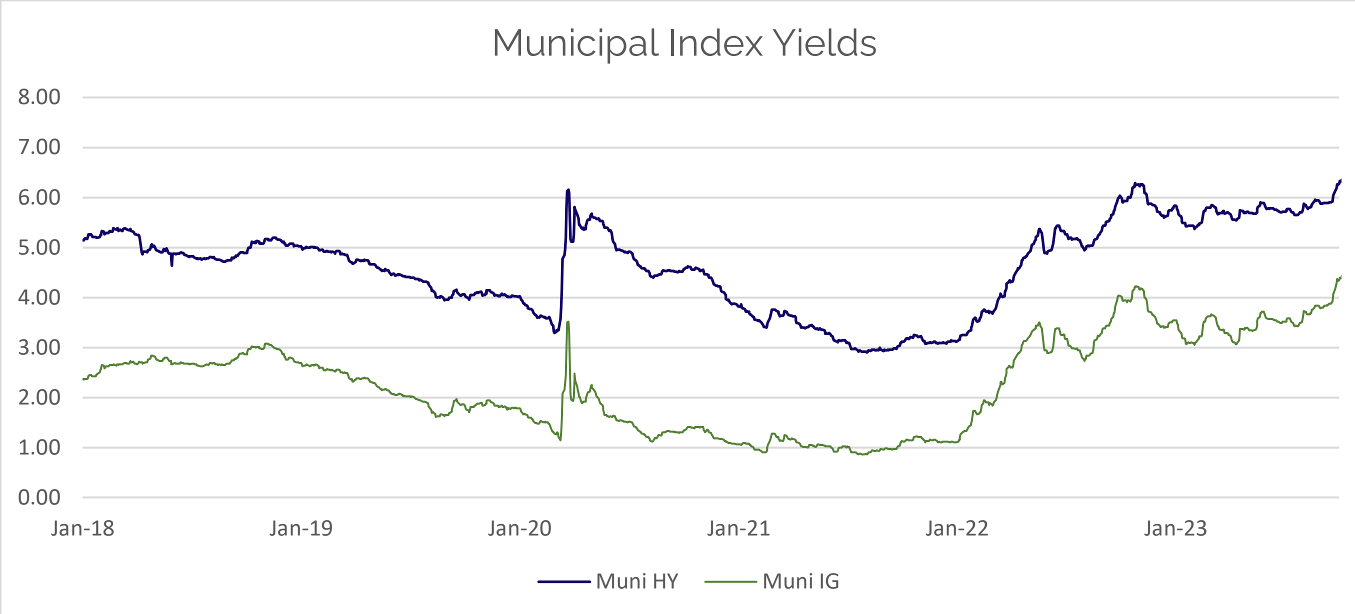
Lind Capital Partners Non-Rated Municipal Strategy (through September 30, 2023)

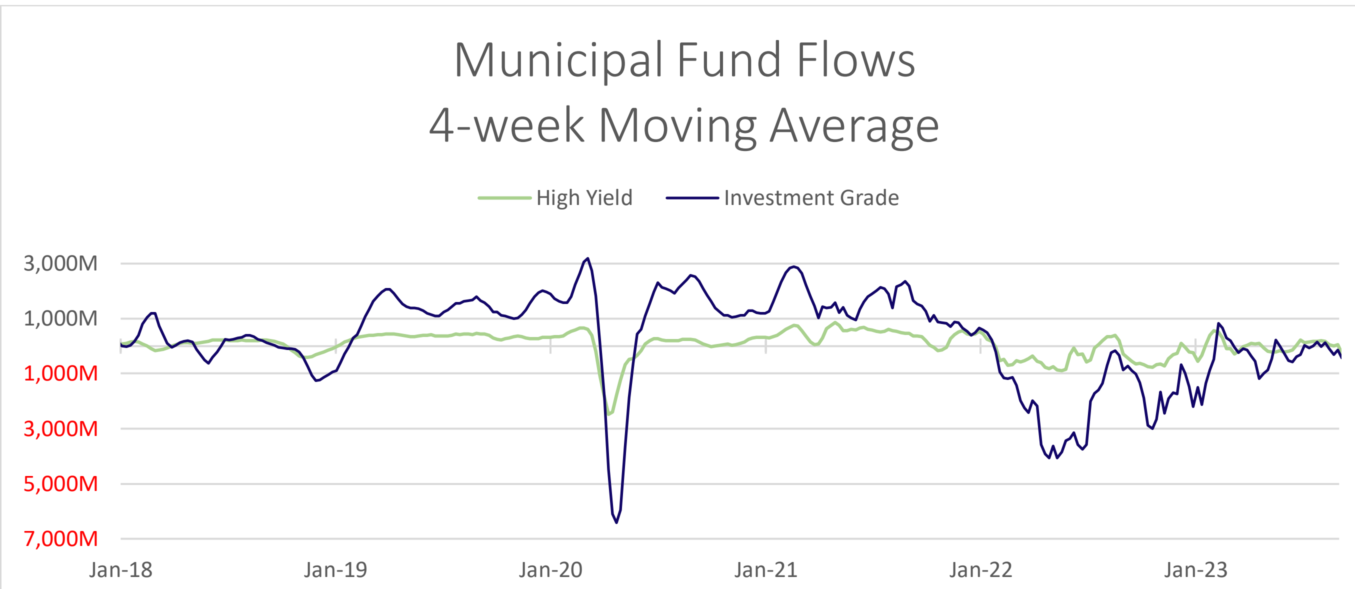


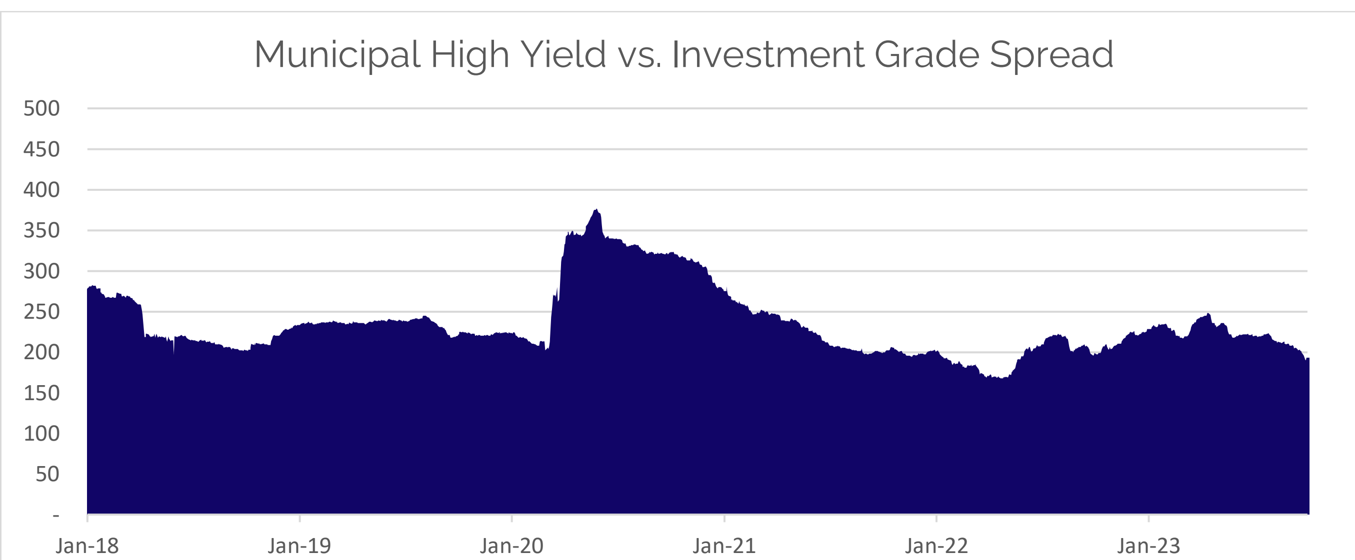
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). 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@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 Yied)/(1-Federal Tax Rate).







Sources: Refinitiv and Bloomberg LP