LCP LIND CAPITAL PARTNERS

Municipal Market Statistics

November 2024

	11-01-24	10-01-24	11-01-23	11-01-21	11-01-19
10-Year AAA BVAL Municipal	3.03%	2.61%	3.62%	1.21%	1.47%
10-Year US Treasury	4.30%	3.78%	4.93%	1.56%	1.69%
10-Year Muni vs. Treasury Ratio	75%	69%	73%	77%	87%
IG Fund Flows YTD	$14.8B	$8.8B	($15.5B)	$72.9B	$56.3B
HY Fund Flows YTD	$11.1B	$8.3B	($1.4B)	$18.9B	$16.1B
IG (LMBITR) Total Return YTD	0.75%	2.30%	(2.22%)	0.52%	6.94%
HY (LMHYTR) Total Return YTD	5.82%	7.48%	(1.60%)	6.11%	9.92%
New Issue Calendar YTD	$426B	$374B	$305B	$387B	$319B

Lind Capital Partners Municipal Market Commentary

- **Municipal Market Performance and Benchmark Rates:** The municipal market's months long streak of positive performance came to end in October as both the investment grade and high yield indices lost ground. After four straight months of positive performance, the Bloomberg Municipal Bond Index (LMBITR) posted a loss of (1.50%) in September (+0.75% YTD). The high-yield market fared no better as the Bloomberg Municipal High Yield Index (LMHYTR) posted a loss of (1.54%) in October but remains firmly positive year-to-date at 5.82%.

  Interest rates shrugged off the Federal Reserve's half-point rate cut last month steadily selling off throughout October. 10-year US Treasury yields reached a 3-month high recently (4.29%) and are currently 48 bps higher month-to-date. The UST sell-off was more pronounced on the front-end of the curve as UST 5-year rose by 58 bps this month and is almost 75 bps higher since the last FOMC meeting in mid-September. High grade municipals tagged-along but ultimately outperformed their US Treasury counterpart, as the Bloomberg AAA Municipal Yield Curve ended the month higher by 37 bps in 5 years, 41 bps in 10 years, and 33 bps in 30 years.

- **Mutual Fund Flows:** Despite the rate volatility in fixed-income markets and political "noise", both at home and abroad, capital continued to pour into high-grade and high-yield municipal mutual funds in October. Investment grade funds have now experienced inflows 18 straight weeks. While high yield funds' 27 week streak was broken this week, high yield funds have experienced positive flows 41 out of 44 weeks year-to-date. Inflows now total close to $26B in 2024 and $11B for high yield funds. Notably, 42% of fund flows have been to high yield funds, a segment that constitutes only 15% of the municipal bond market.
- **Primary Market Supply:** Municipal issuance swelled in October as borrowers rushed to come to market ahead of the upcoming United States presidential election and any resultant volatility. Issuance totaled $65bn this month, a 56% increase YoY and 32% higher than versus the trailing 5-year average for the month of October. This month's municipal issuance is the largest monthly figure since October 2020 (ahead of the last presidential election) and the second largest monthly total in over a decade. The high-yield muni market saw a commensurate surge in primary market issues in October, a welcome sight after what has been an anemic calendar year-to-date. While a considerable amount of investment-grade supply may have been pulled forward in October, LCP expects the balance of November and December to be busy for the non-rated municipal market as issuers move swiftly to borrow before year-end.

Lind Capital Partners Municipal Non-Rated Market Commentary

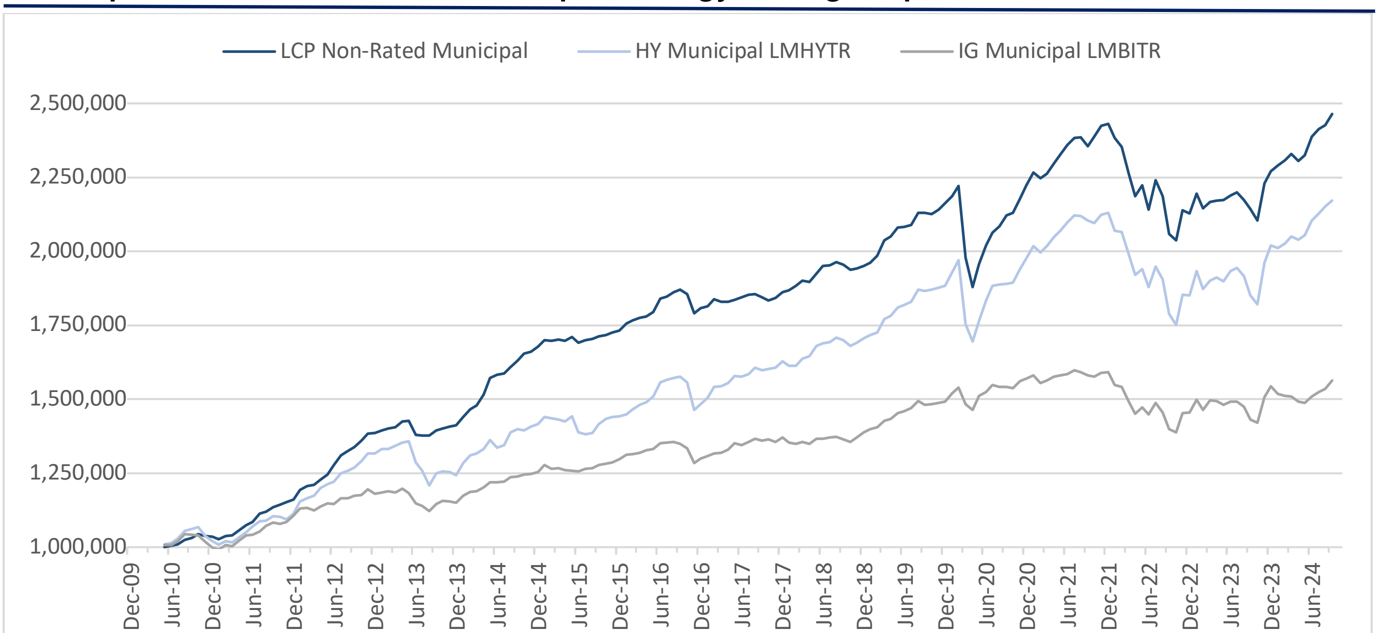
When the Federal Reserve initiated rate cuts in September, we expected fixed income markets to trend towards lower rates. However, since September 16th, 10-year US Treasury yields have risen from 3.62% to 4.32% (a 5.25% price decline) and 10-year AAA municipal yields have risen from 2.62% to 3.03%. A number of factors have contributed to the rate rise, economic strength, election concerns and higher than expected inflation are among the many contributors. This surprising trend has heightened market volatility.

Looking forward, there are several other factors that could contribute to additional volatility. The October payroll report on November 1st, federal elections on November 5th, the FOMC meeting ending November 7th and October CPI report on November 13th all have the potential to significantly impact the bond markets. The municipal bond market has additional exogenous factors that will likely contribute to volatility. As noted above, the municipal market has been experiencing significantly greater new issue supply since early October. We expect supply to moderate post-election, election results might pull issuance forward given the prospective tax plans of the President-Elect. Additionally, the 2017 Tax Cuts and Jobs Act is due to expire on December 31, 2025. The next President and Congress will have to come to an agreement to extend all or parts of the 2017 Tax Act. Given all the uncertainty, we expect volatility in the rate markets to persist. That said, we do not expect yields to move significantly higher and *should* trend lower in the future.

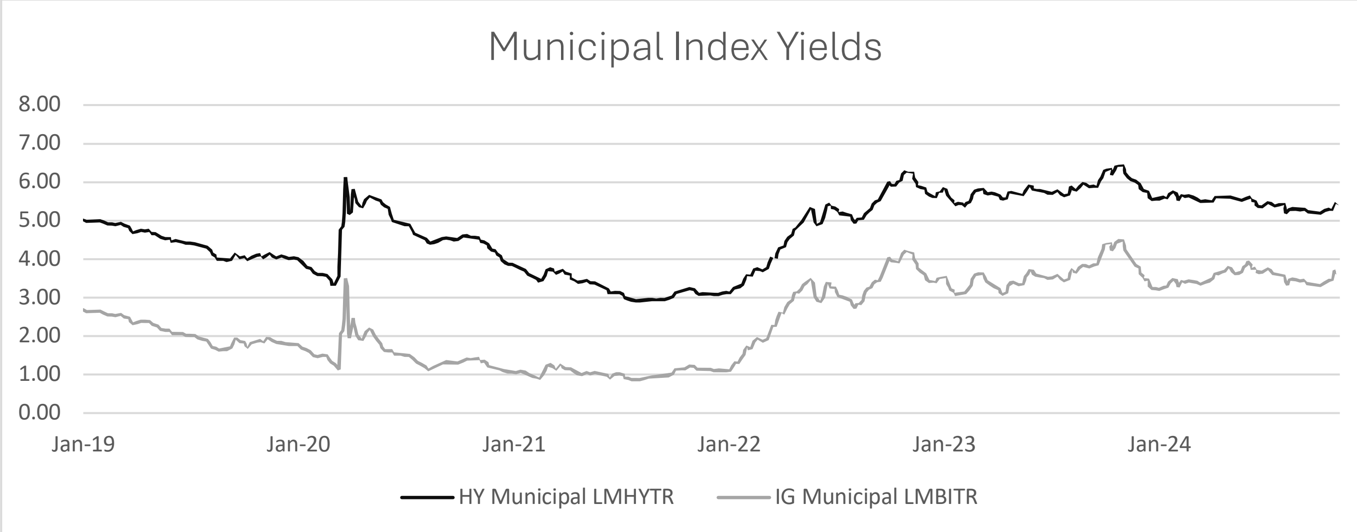
We strongly believe the current environment has created an excellent entry point into the municipal market, both investment grade and non-rated. Over the past two years, the inverted yield curve presented investors and their advisors with a conundrum, "*Why extend maturities and duration when short-term rates are higher than long-term rates?"* However, as the yield curve has begun to normalize, the equation has shifted. Despite rising 60 bps since mid-September, the 2-year US Treasury yield remains nearly 100 bps lower than October 2023. So, while short-term rates have become less compelling, longer term rates remain attractive from both a historical and relative basis. Should the broader trend toward lower rates take hold, we would expect the attractiveness of short-term rates to continue to erode and the benefits of extending maturities and duration increase.

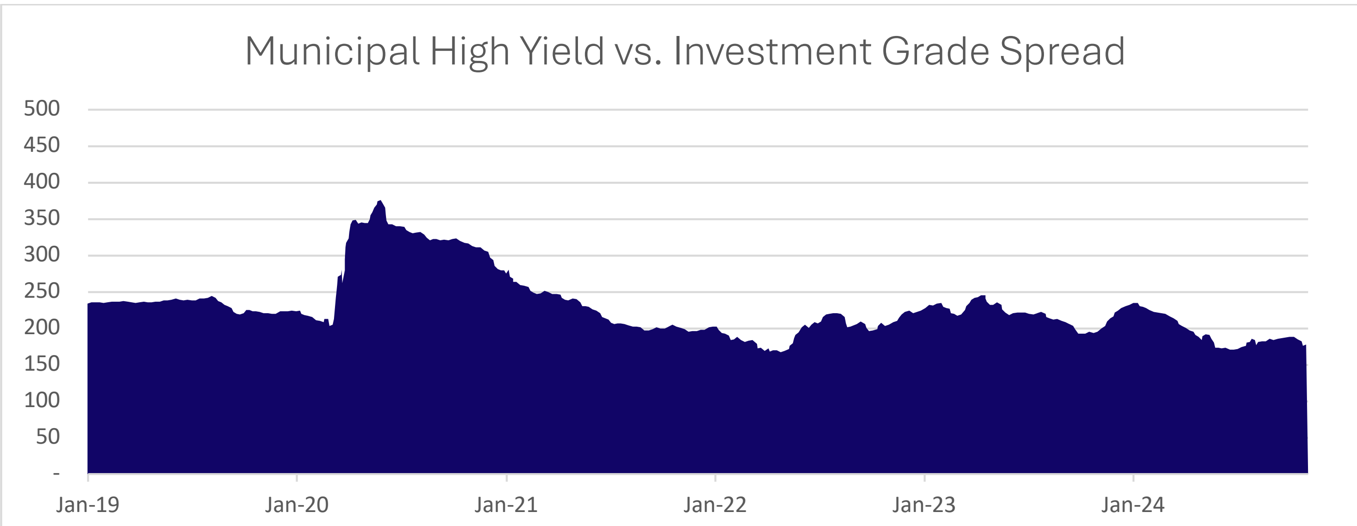
We have always viewed market volatility as opportunity to most effectively deploy capital. Investors with capital can benefit significantly by providing liquidity to sellers searching for price discovery. In the new issue market, they can benefit from improved credit terms and pricing and in the secondary market they can benefit from significant price concessions. The increased volatility against the backdrop (in our opinion) of a stable credit environment has resulted in a compelling environment for long-term investors.

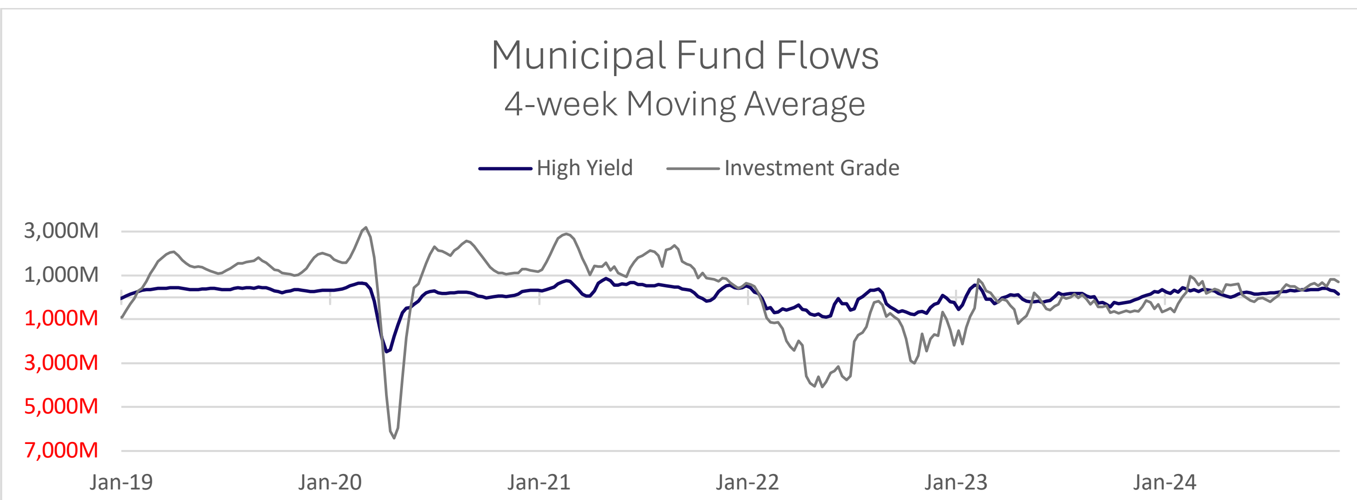
Lind Capital Partners Non-Rated Municipal Strategy (through September 30, 2024)



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).