LIND CAPITAL PARTNERS

Municipal Market Statistics

December 2022

	12-01-22	11-01-22	12-01-21	12-01-19	12-01-17
10-Year AAA BVAL Municipal	2.75%	3.38%	1.05%	1.51%	2.19%
10-Year US Treasury	3.61%	4.05%	1.45%	1.82%	2.41%
10-Year Muni vs. Treasury	76%	83%	73%	83%	91%
IG Fund Flows YTD	($93.8B)	($87.0B)	$76.4B	$62.6B	$7.8B
HY Fund Flows YTD	($19.0B)	($17.7B)	$21.0B	$17.2B	$5.9B
IG (LMBITR) Total Return YTD	(9.13%)	(12.86%)	1.35%	7.08%	4.36%
HY (LMHYTR) Total Return YTD	(13.30%)	(17.75%)	7.49%	10.17%	8.29%
New Issue Calendar YTD	$341B	$320B	$424B	$372B	$339B

Lind Capital Partners Municipal Market Commentary

The municipal market recovered from the volatility and losses experienced in October to post the best monthly performance since 1986, with 10-year and 30-year AAA rates falling 64 bps and 60 bps, respectively. Unlike October, new issues were warmly received and easily placed. Secondary market activity was light, but orderly. Strong market performance was bouyed by light supply and anticipation of slowing rate hikes, despite continued negative fund flows. Traditional mutual funds have experienced outflows totaling $135B YTD, while municipal ETFs have seen **positive** flows totaling $22B. Whether this dichotomy represents a long-term shift out of open-end mutual funds or sophisticated institutional investors capitalizing on the current dislocation is unknown, but it is notable. The flows into ETFs have helped offset the historic outflows from mutual funds and provided some stability to the municipal market.

Looking ahead, the dramatic rise in rates has impacted new issue volume and is expected to keep volume levels manageable over the coming months. Additionally, December and January are traditionally big "re-investment" months with coupon payments, bond maturities and bond calls. Combined, manageable supply and embedded natural demand should provide market stabiliity through the end of the year and into early 2023.

Lind Capital Partners Municipal High Yield Market Commentary

In our October Note we referenced that Canterbury Court, a CCRC in Atlanta, bond prices had fallen over 40%, from $105 to mid-$60s since June 2021. In our commentary, we noted several beneficial aspects to the current market environment and have often been asked to expound on our thinking since it was published. In our internal discussions, we ultimately came to describe current pricing as the "silver lining" to this very challenging year in the municipal market. Given the queries we received, we thought it worthwhile providing additional detail on our thinking.

Yield levels are at 10+ year highs. Investors in fixed income can now, finally, generate income from a fixed income portfolio. It has been called **TINA** (There Is No Alternative) meets **PATTY** (Pay Attention To The Yield). In our non-rated sectors, we are now seeing tax-exempt yield levels well in excess of 7.00% or 12.00%+ taxable equivalent for investors in the maximum federal tax bracket. Longer-term investors can construct portfolios generating these new yield/income levels and can hold them for **10 to 20+ years**.

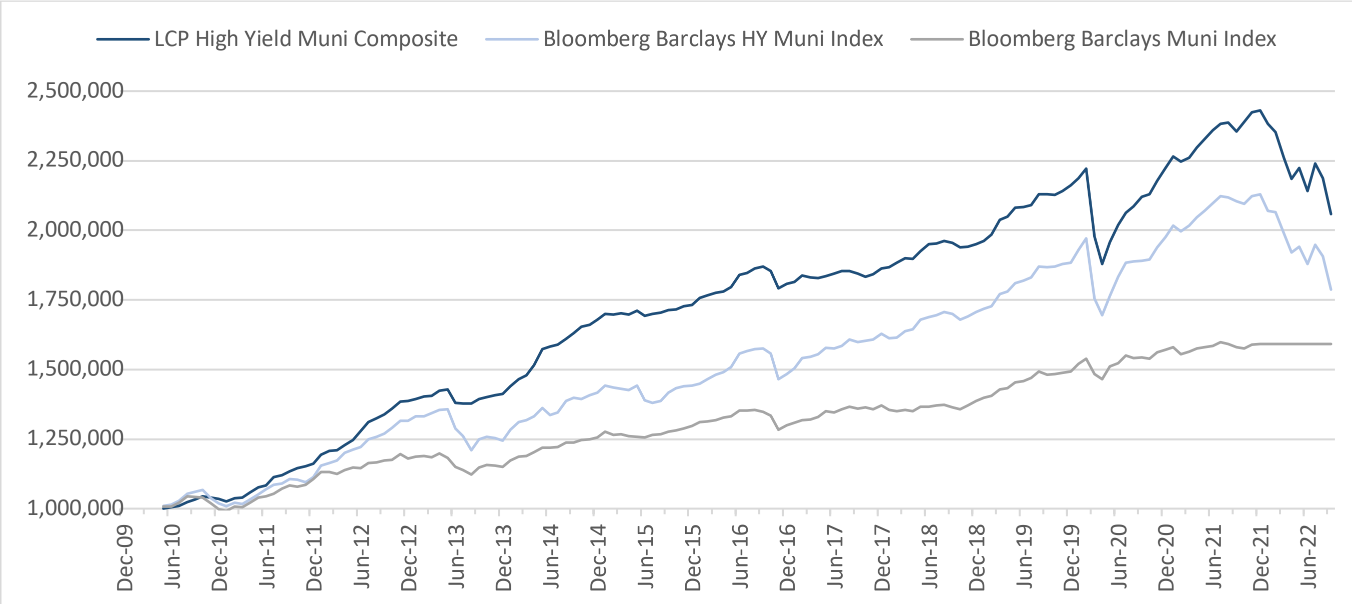
Dollar prices have fallen up to 40% allowing investors to initiate portfolio purchases at significant price discounts to par. Investors benefit in several ways. Deep discounts shift control from the borrower to the investor in a falling rate environment. Traditionally, municipal bonds are issued at or around par with 8-to-10-year call provisions. If rates fall precipitously, the borrower can often refinance the bonds at lower rates forcing investors to redeploy their capital at lower rates, as well. Deep discounts provide the investor greater certainty regarding the longevity of the investment and significant upside should the borrower exercise their call option at par. Additionally, low dollar price purchases provide investor protection regarding sustained economic or fiscal stress. The discount provides a cushion for recovery values in the event of a restructuring or workout relative to investors initiating at par. It should be noted that deep discounts subject investors to de minimis tax treatment on gains, which is significant for short and intermediate term bonds, far less so for long-term (20+ years) debt.

Credit conditions are generally better today than they have been since the onset of COVID. Whether via the underlying economic strength of the borrower or COVID relief funds via PPP loans or direct grants, the financial condition of many borrowers is stronger than it has been in many years. Further, like homeowners that financed or refinanced mortgages in the past several years, many tax-exempt borrowers have "locked-in" long term financing at historically low rates. This provides a level of financial stability going forward, particularly given how much rates have risen. Unlike corporate borrowers that are regularly subjected to refinancing risk, tax-exempt borrowers tend to utilize long-term (30+ year) fully amortizing loans. Fully amortizing debt benefits investors as leverage decreases as loans are paid down via serial maturities or sinking funds.

Volatility is inevitable given the current economic environment and uncertainty regarding inflation and future interest rate policy. Equity investors may remain cautious given heightened volatility and economic uncertainty. However, long-term fixed income investors should be willing to accept price volatility if they are confident they will receive their principal at maturity. If interest rates rise considerably, active portfolio managers can harvest tax-losses and redeploy capital at higher rates for the remainder of the term. If rates fall, investors will benefit from principal appreciation due to the current discount entry price point and will have locked in significantly higher yields.

While it has been a very challenging year for investors across almost all asset classes, "silver linings" in the current market environment are numerous. Investors can benefit from the dislocation and construct portfolios that should generate high levels of tax-exempt income **for many, many years**. Low interest rates and the Federal Reserve QE policy led many investors to abandon fixed income and search for yield and income in other asset classes. Many strategists declared *"the end of the 60/40 portfolio"*. Today, investors can return to a more traditional portfolio model without sacrificing the income component and incorporating the certainty a fixed income portfolio can provide.

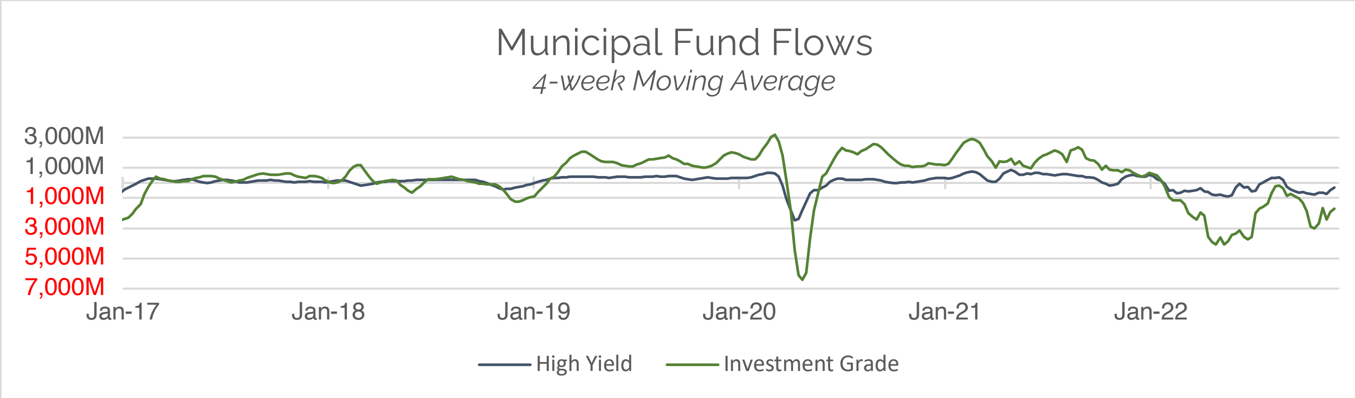
Lind Capital Partners Municipal High Yield Strategy (through September 30, 2022)

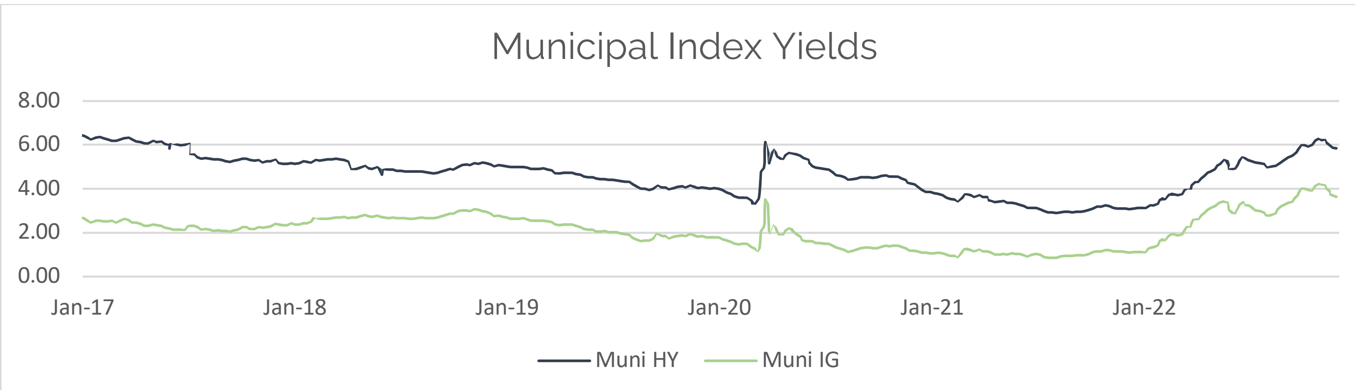


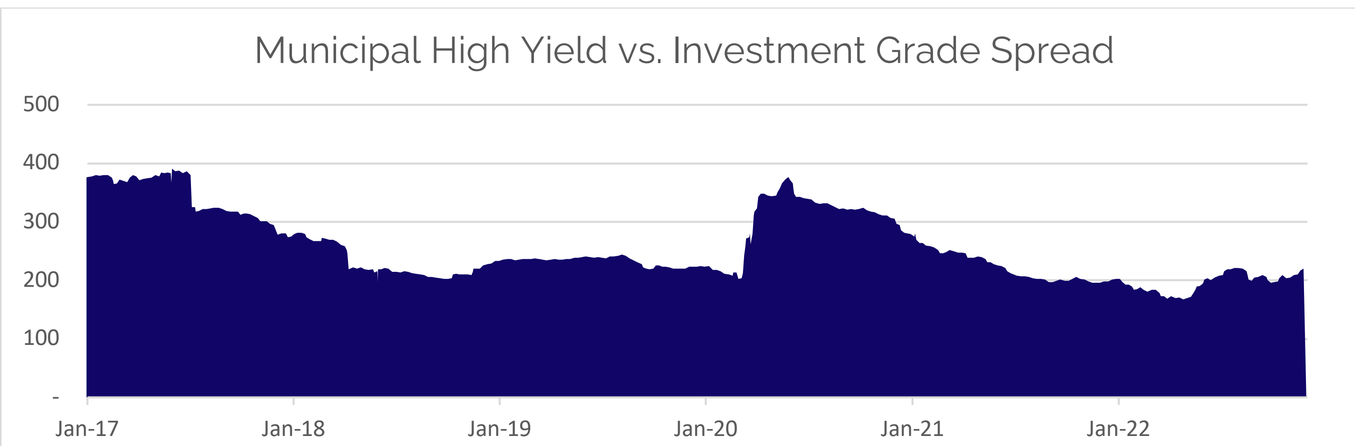
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). Please contact us with questions regarding credit profile, returns, taxable equivalent yields or further portfolio information. Past performance is not indicative of future results.

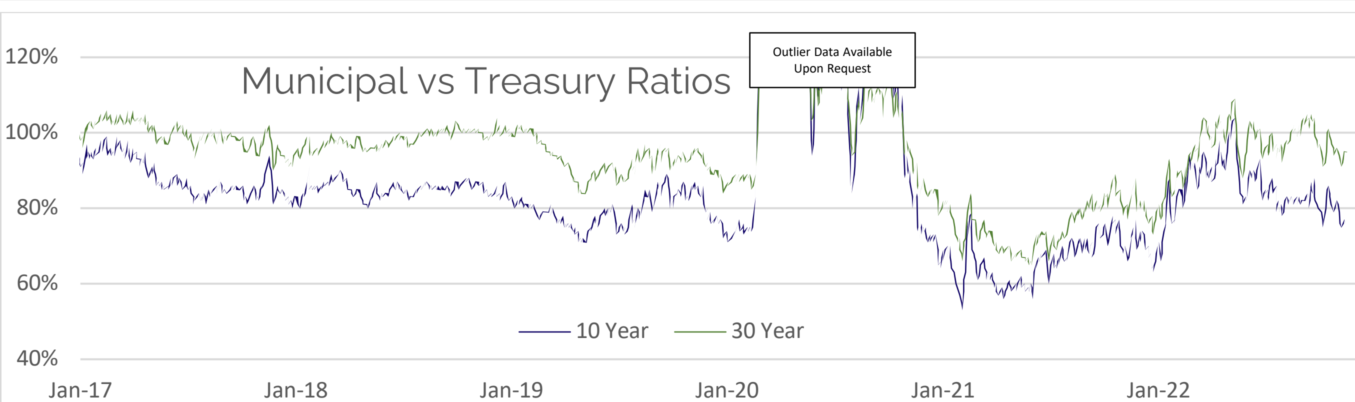
Disclosure

Past performance is not indicative of future results. An investment in the Lind Capital Partners 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 advisor does not imply a certain level of skill or training. Performance information (time-weighted rate of return) is provided for the LCP High Yield Muni 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.









Sources: Refinitiv and Bloomberg LP