LIND CAPITAL PARTNERS

Municipal Market Statistics

December 2023

	12-01-23	11-01-23	12-01-22	12-01-20	12-01-18
10-Year AAA BVAL Municipal	2.68%	3.62%	2.73%	0.70%	2.53%
10-Year US Treasury	4.35%	4.93%	3.61%	0.84%	2.99%
10-Year Muni vs. Treasury Ratio	62%	73%	76%	83%	85%
IG Fund Flows YTD	($16.1B)	($11.8B)	($87.0B)	$37.6B	$1.6B
HY Fund Flows YTD	($1.0B)	($0.2B)	($17.7B)	($4.8B)	$2.1B
IG (LMBITR) Total Return YTD	3.72%	(2.22%)	(8.79%)	4.58%	0.90%
HY (LMHYTR) Total Return YTD	5.82%	(1.60%)	(12.96%)	2.96%	3.87%
New Issue Calendar YTD	$332B	$305B	$339B	$434B	$297B

Lind Capital Partners Municipal Market Commentary

- ***Municipal Market Performance***: Market friendly news provided the municipal market some serious holiday cheer with the investment grade market experiencing its best monthly returns in over 40 years. Bloomberg Barclays Municipal Index LMBITR posted a return of 6.08% this month, vaporizing the YTD losses, which now are firmly positive 3.72%. The high yield municipal market participated in the festivities, with the Bloomberg Barclays High Yield Index LMHYTR recording its best monthly return since 2009, posting 7.54% this month with YTD performance now 5.82%.
- ***AAA Municipal Benchmark Rates***: Municipal rates reversed course in a very meaningful way in November as yields on the AAA municipal benchmark curve fell by 93 bps in 5 years, 95 bps in 10 years, and 89 bps out in 30 years. With the exception of a single trading session mid-month, municipal yields were either unchanged or lower every day this month. For comparison, US Treasury yields underperformed only falling by 57 bps in 5 years, 59 bps in 10yrs, and 59 bps in 30 years.
- ***Mutual Fund Flows:*** On the heels of 11 straight weeks of outflows, open-ended municipal mutual fund flows finally reversed course for a week in November before resuming the negative trend, ultimately experiencing over ($0.6B) in outflows for the month. This extends the losses from municipal fund (IG) complexes in 2023 which now totals ($16B) year-to-date. Investors were apparently attracted to the new yield levels , as HY funds experienced inflows 4 out of 4 weeks, totaling just shy of $0.5B . High yield flows are now slightly negative year-to-date, with outflows of ($1.0B) for 2023.
- ***Primary Market Supply:*** Municipal supply finally picked up in November and ultimately finished the month around $27B (up 36% YoY). Year-to-date issuance ($332B) is down just 2% vs 2022.
- ***Looking Ahead:*** The investment grade municipal market may have gotten ahead of itself, while the non-rated market has lagged. We expect a busy month as borrowers rush into the market to price their issues before year-end and take advantage of the stable rate environment. Absent a return of the retail investor via mutual funds, December could be interesting for investors with cash to invest.

Lind Capital Partners Municipal Non-Rated Market Commentary

While there is broad consensus that absolute yields across fixed income asset classes are historically attractive and long-term investors can benefit from "locking in" these rates; many investors remain on the sidelines due to a common concern… credit. High-yield credit spreads have tightened throughout the year, despite the continuing debate of "hard vs. soft landing" and many economic forecasters calling for a recession in 2024. We hear from investors that they are waiting for a "credit event" to create a more attractive entry point. A severe economic slowdown and the staggering amount of short-term debt needing to be refinanced in the current rate environment could pose a serious threat to corporate capital structures and profitability. The commercial real-estate market also faces a looming crisis, with plummeting valuations, heavy refinancing demands, and deteriorating fundamentals. In a recent conversation, one of our long-time investors, a commercial real estate guru, warned that the current commercial real estate landscape is worse than the Great Financial Crisis.

While we are not in the business of predicting crashes, we share these concerns and believe some credit markets may be susceptible to a credit event that results in spreads widening significantly, creating an attractive entry-point for opportunistic investors. However, tax-exempt credit markets present an entirely different story. We often need to highlight to investors the significant differences between the taxable and tax-exempt credit markets.

Although they share the "high yield" moniker, they are vastly different asset classes. In our view, tax-exempt credit is far less exposed to the risks facing taxable credit markets:

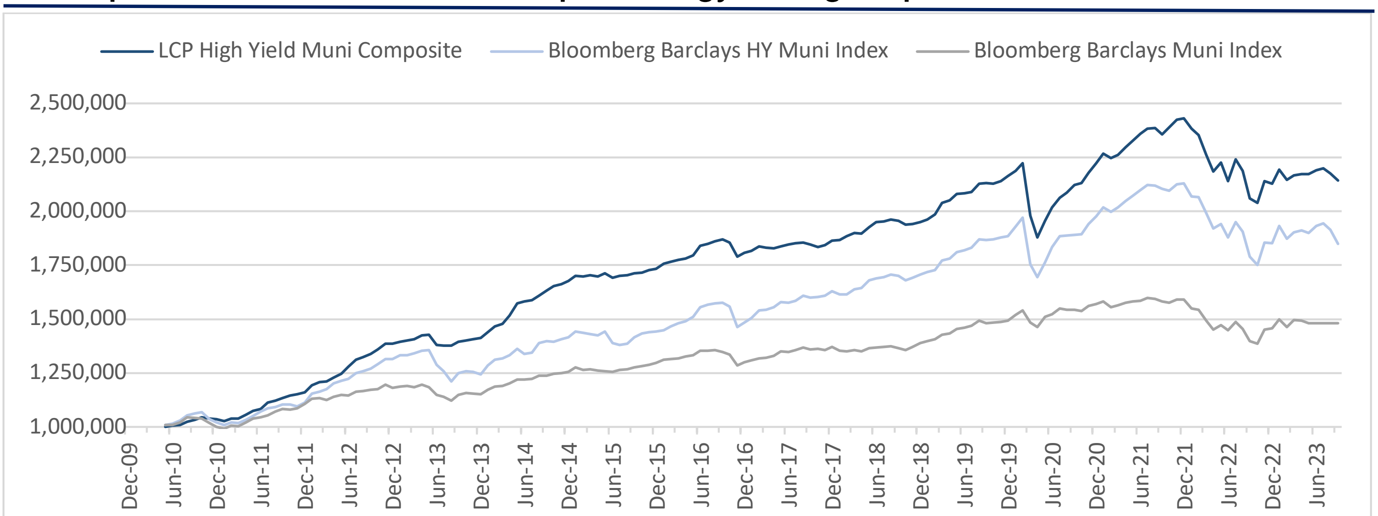
- Economic slowdown: Tax-exempt sectors are **less cyclical, recession resistant, and provide a degree of essentiality of services**.
  - High yield tax-exempt sectors: Education, Healthcare, Senior Living, Affordable Housing, Utilities, etc.
  - High yield corporate & private credit sectors: Energy, Consumer Discretionary, Financials, Technology, Industrials, etc.
- Refinancing risk: Tax-exempt borrowers typically issue long-term, fixed-rate debt that fully amortizes through maturity, lowering their financial leverage every year. The borrowers are **not exposed** to refinancing risk in a significantly higher rate environment.

Should a "*credit spread event*" create turmoil in the taxable credit markets, we see little evidence that there would be a contagion effect on the tax-exempt markets. We recently conducted an analysis of periods of significant credit spread widening since the GFC for a prospective client[1]. Outside of the COVID-19 crisis, high yield corporate spreads widened an average of 344 basis points, while high yield municipal spreads widened an average of 74 basis points during the same periods. During these events tax-exempt markets provided a safe haven from the turmoil in taxable markets and benefited from a 'flight to quality.'

While investors looking for additional yield in corporate and private credit markets may benefit from sitting on the sidelines and waiting for a "*spread event*," we do not believe the same can be said about the tax-exempt market. Investors must seriously consider the opportunity cost of waiting and potentially missing historically attractive yields the market is offering today.

[1]Spread calculations: Bloomberg High Yield Corporate Index (LF98TRUU) vs. 10-year UST and Bloomberg High Yield Municipal Index vs. 10-year AAA Municipal Index. Referenced periods include February – October 2011; June – December 2104; May 2015 – February 2016; and, October – December 2018. Additional detail is available, upon request.

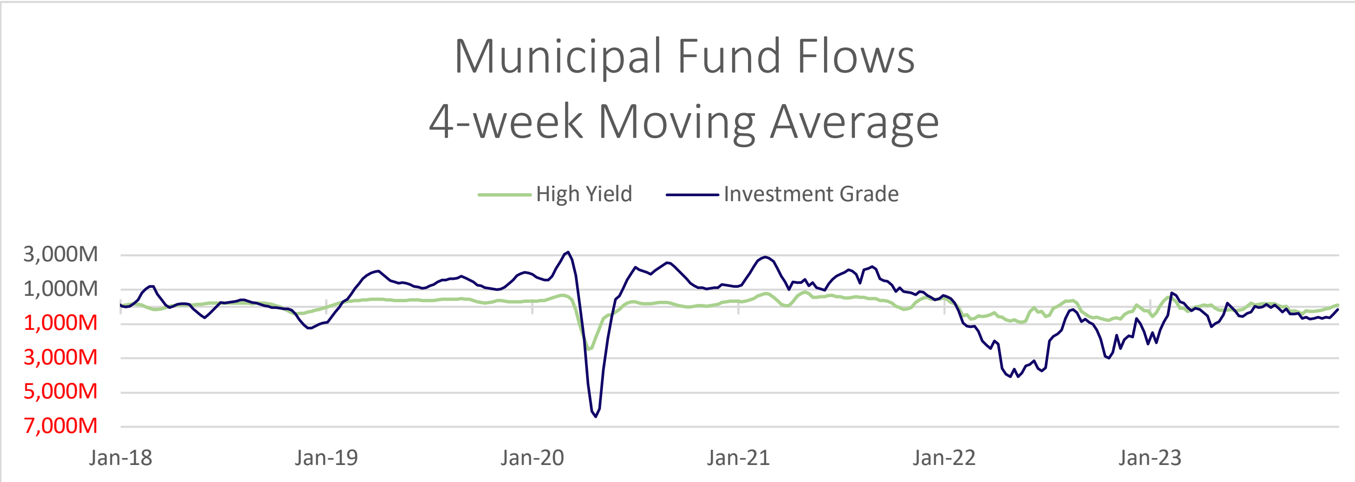
Lind Capital Partners Non-Rated Municipal Strategy (through September 30, 2023)

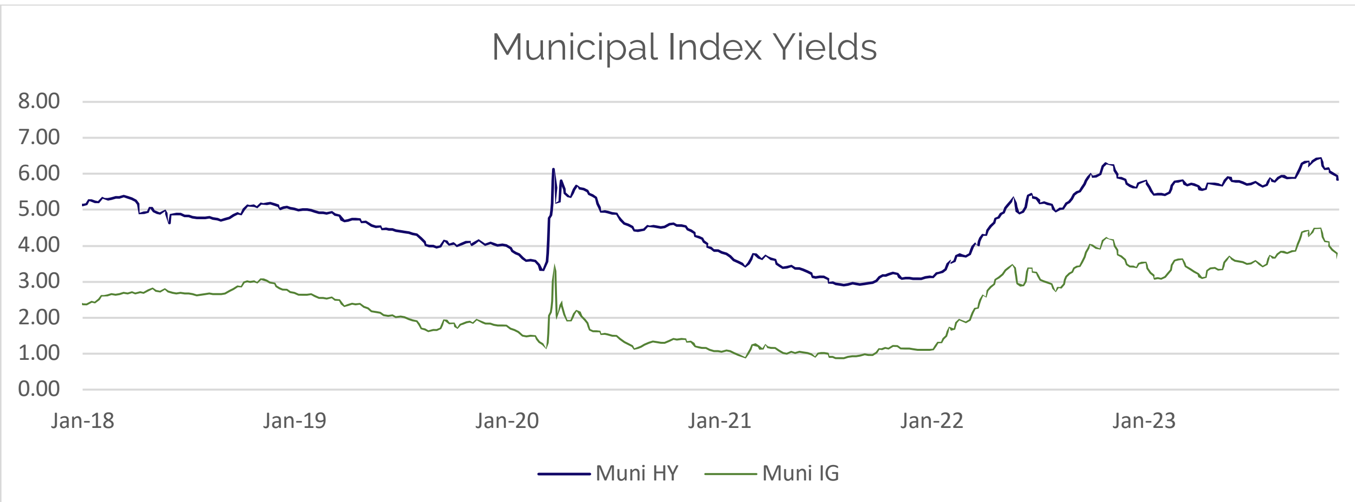


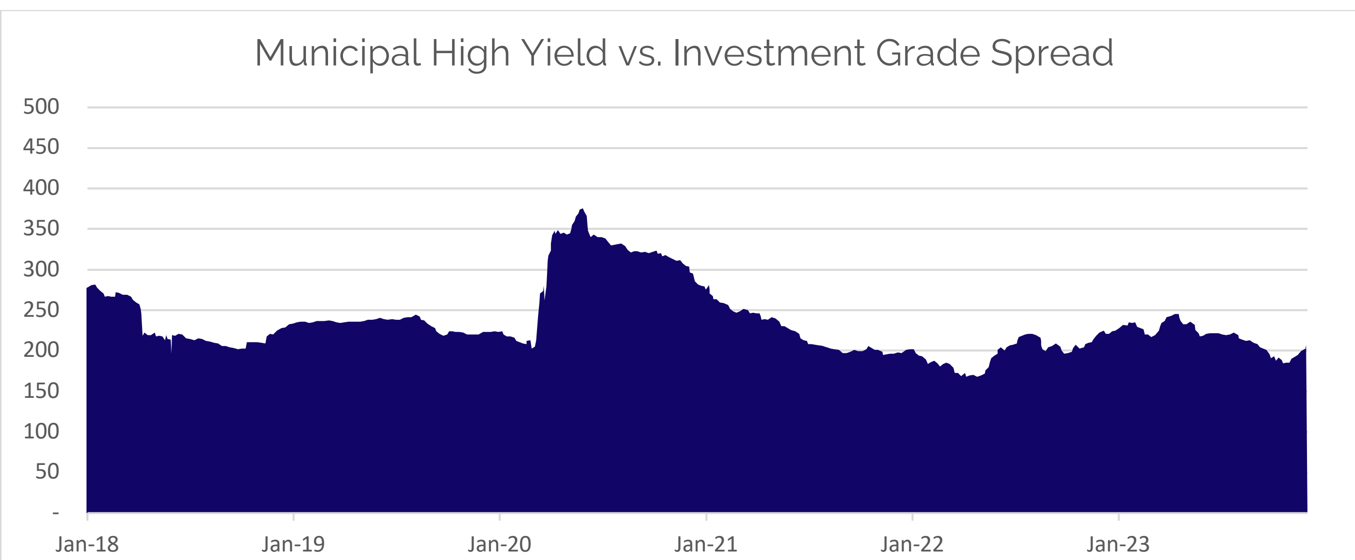
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index).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