LIND CAPITAL PARTNERS

Municipal Market Statistics

December 2024

	12-01-24	11-01-24	12-01-23	12-01-21	12-01-19
10-Year AAA BVAL Municipal	2.82%	3.02%	2.66%	1.05%	1.48%
10-Year US Treasury	4.17%	4.29%	4.33%	1.45%	1.78%
10-Year Muni vs. Treasury Ratio	67%	70%	61%	73%	83%
IG Fund Flows YTD	$16.9B	$14.9B	($16.1B)	$76.4B	$62.6B
HY Fund Flows YTD	$12.3B	$10.9B	($1.0B)	$20.0B	$17.2B
IG (LMBITR) Total Return YTD	2.55%	0.81%	3.98%	1.35%	7.21%
HY (LMHYTR) Total Return YTD	8.12%	5.81%	6.03%	7.48%	10.35%
New Issue Calendar YTD	$465B	$426B	$332B	$423B	$372B

Lind Capital Partners Municipal Market Commentary

- **Municipal Market Performance and Benchmark Rates:** After a momentary stumble last month, both the IG and HY municipal indices bounced back in a meaningful way in November. The Bloomberg Municipal Bond Index (LMBITR) posted a return of 1.74% this month, increasing it's year-to-date performance to 2.55%. The Bloomberg Municipal High Yield Index (LMHYTR) extended it's relative outperformance by returning 2.31% in November, and has now returned 8.12% YTD. The municipal market significantly outperformed the US Treasury market in November.

  While the absolute changes in interest rates month-to-date have not been too drastic, that does not mean it was not a bumpy ride to get here. Interest rate volatility remains a consistent theme post - US Presidential election and it is unlikely to subside in the immediate future.

- **Mutual Fund Flows**: Despite the ongoing rate volatility, buyers remain committed to both investment grade and high-yield municipals, as seen through consistent mutual fund inflows. Year to date, municipal mutual funds have experienced $28.2B in positive fund flows. While positive, they remain relatively anemic compared to 2019 and 2021 levels, see above. Notable within the fund flow numbers is the relative flows between IG and HY funds. While the high yield market constitutes roughly 15% of the overall municipal bond market, HY funds have received 42% of 2024 fund flows. We believe this is due to the very enticing absolute yields the market is providing investors. It also helps explain the significant outperformance of the high yield market relative to the investment grade market (8.12% vs. 2.55%). High absolute yields will likely continue to attract a disproportionate share of fund flows.

- **Primary Market Supply:** After the second largest monthly issuance on record last month, municipal issuance understandably shrunk in November, totaling $25B. While this November issuance figure is down 30% YoY, the presence of the US Presidential election was telegraphed to bring the new issue market to a standstill for at least one-week. Looking ahead, the first three weeks of December are shaping up to be exceptionally active in the high-yield primary market as LCP has identified close to 15 new-issues that have already been announced with that number set to swell as we head into December.

Lind Capital Partners Municipal Non-Rated Market Commentary

With the election now in the rear-view mirror, we have been asked our take on the implications for the municipal market, broadly and our non-rated sectors, specifically. While much is yet to be determined, we can now hypothesize how federal policy may impact municipal investors and borrowers.

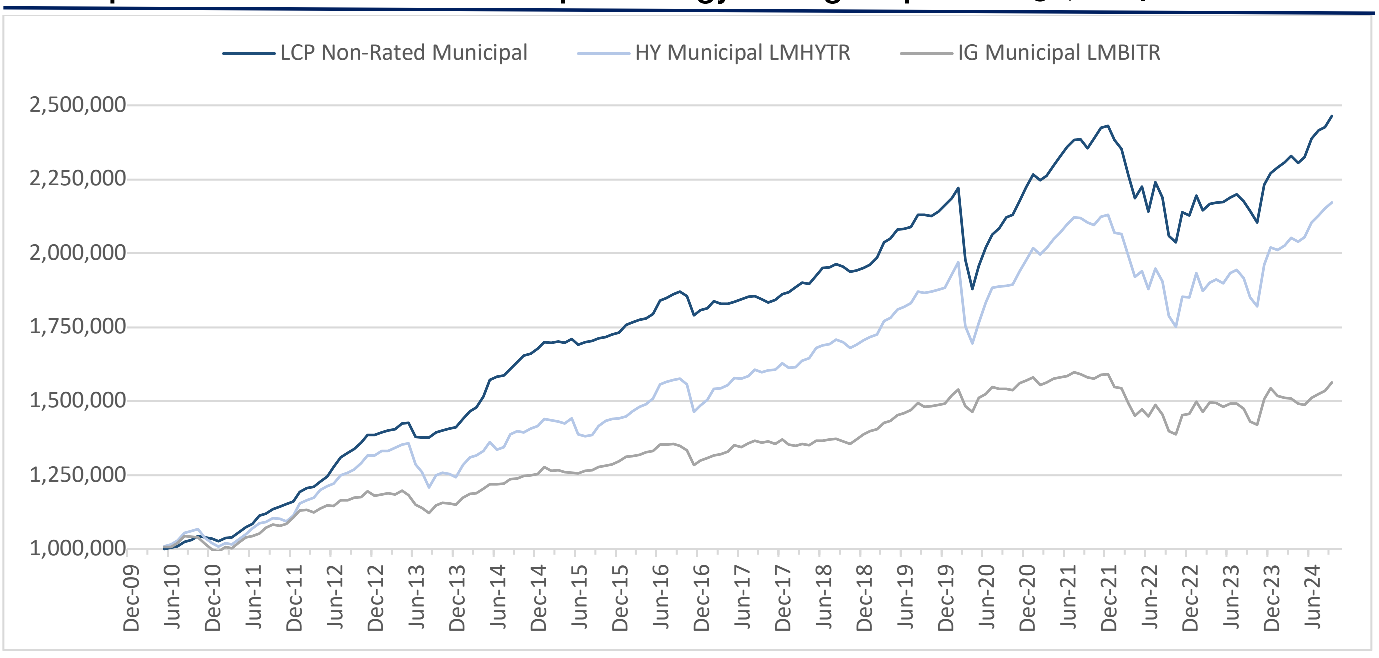
From a demand perspective, we do not see a material impact unless there are significant changes to tax policy. The likelihood of the Tax Act of 2017 being extended has increased dramatically, which would keep federal tax rates at existing levels. If personal tax rates are lowered even further, demand for municipals could soften. Lower corporate tax rates would also soften demand for high-grade municipals. The SALT deduction limitation is open for discussion but would likely need to be offset by additional revenue elsewhere. No real impact on the demand side of the equation.

For traditional municipal borrowers, we believe the new administration will be less receptive to financial assistance to struggling cities and states. As a result, borrowers who relied on COVID funds and other federal stimulus will likely have to go it alone. Federal funding priorities will likely shift resulting in additional stresses for municipal entities who are reliant on federal aid.

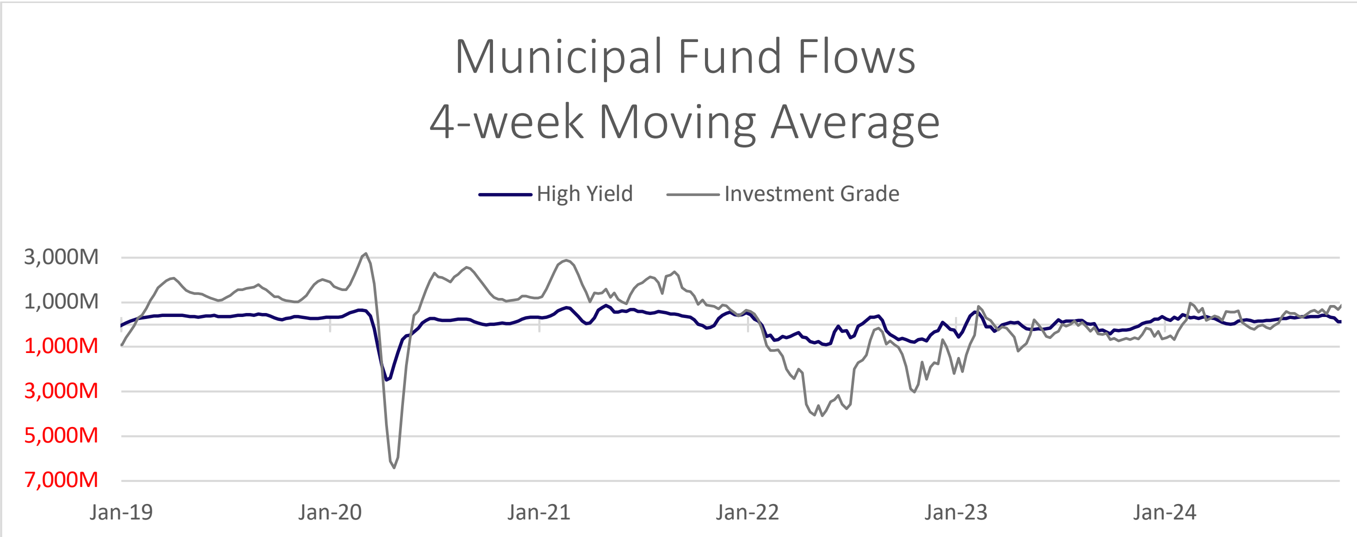
Within our non-rated municipal sectors, we do not see too much impact, as most of our borrowers are not tied to federal policy or funding. Lack of dependence on governmental support or political will remains one of the primary reasons behind our choice of sectors. Our borrowers need to stand on their own financial and business ability to serve their clientele, operate their businesses and service their debt. Within our target sectors, the new administration is likely to look favorably on charter schools and private schools, as an alternative for parents to public education. But support and funding remain a local issue, so not likely to be impacted by the election results.

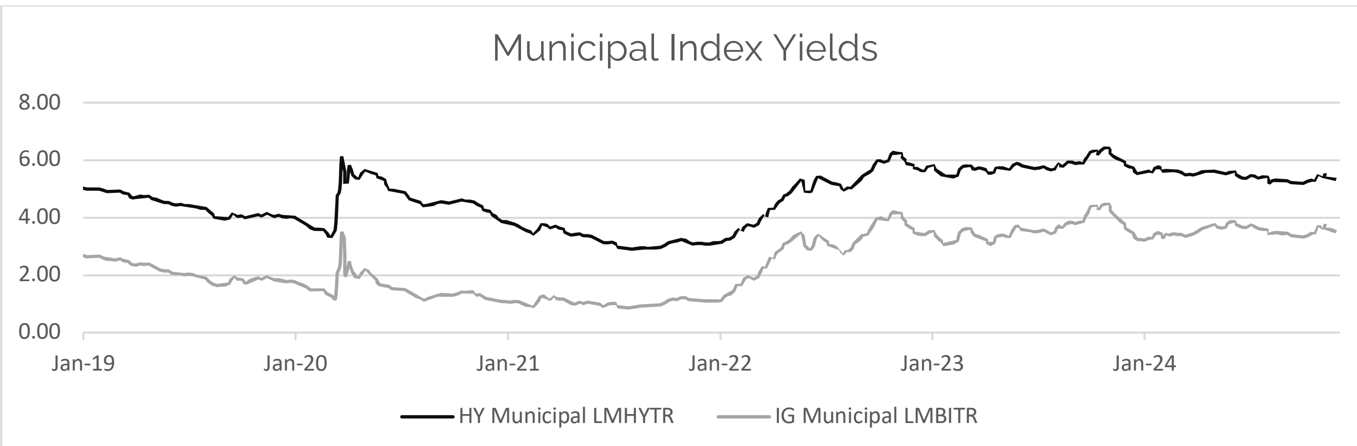
By and large, we expect supply-demand dynamics to continue to drive the non-rated municipal market more than the election results. In our November Note, we commented on the recent rise in interest rate volatility and noted that we expected it to continue through the election and year end. Through the first 15 days of November, the average change in the closing yield of the 30-year treasury bond was 7 bps, with some days seeing as much as 18 bps of movement in a single day. Since mid-month, rates have trended significantly lower as the incoming administration takes shape and policy outlook becomes more defined. We expect volatility to remain a theme through year-end, particularly in the non-rated market as issuers push to complete their financing before year-end. As we have often noted, our non-rated borrowers are typically granted access to the tax-exempt market within a given year, so November through December becomes a "*use it or lose it*" environment. The supply pressure will continue to create market dynamics that favor the investor. Attractive absolute yields and expected volatility should provide long-term investors excellent entry points into the non-rated municipal market through year-end.

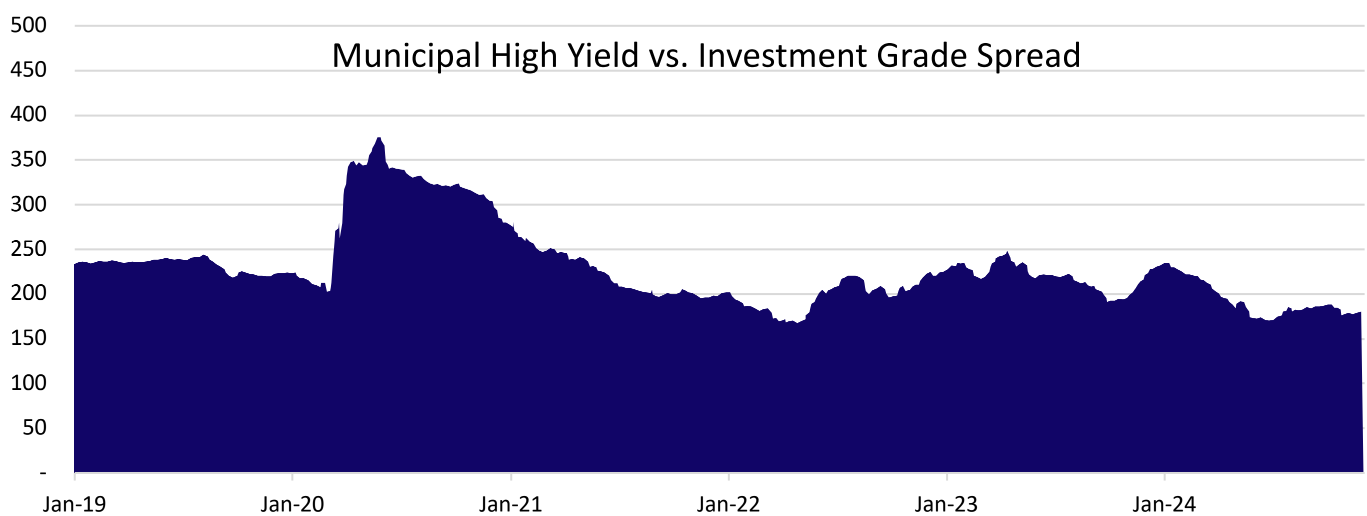
Lind Capital Partners Non-Rated Municipal Strategy (through September 30, 2024)



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).