Lind Capital Partners estimates the total municipal high yield universe is roughly $375 billion in outstanding debt. The Bloomberg Barclays High Yield Municipal Index (LMHYTR) is often used as a proxy for the high yield market. As of December 31, 2019, the Index was comprised of 4,461 individual bonds totaling $129.5 billion in outstanding debt, approximately 35% of the municipal high yield market. The Index consists of 79 sub-sectors which we have consolidated into 14 primary market sectors. Herein, we briefly describe these primary sectors, their weighting in the Index versus LCP portfolios and our view of the sector. A graphical representation of sector weightings and 2019 performance follows.

Tobacco Securitization (Index - 14.5% LCP – 0.0%) – Tobacco securitization issue resulted from the 1998 settlement of litigation between 46 state Attorney Generals and the five largest cigarette manufacturers. The manufacturers agreed to make payments in perpetuity to the states per the Master Settlement Agreement (MSA) based on U.S. cigarette consumption. The original securitizations were based on 2% annual consumption decline assumptions. However, since 1999 cigarette sales have fallen from 441 billion to 249 billion (2017), a 44% decline in consumption. Significant declines in consumption have led to repeated rating downgrades into junk status.

LCP Opinion: LCP has not purchased tobacco securitization bonds. We feel that seasoned tobacco issues, based on original consumption projections, are headed towards financial distress, likely default and restructuring. It is important to note that although many states and counties have issued debt backed by the tobacco settlement agreement, the revenue backing all bonds ($19B) is from a **single source**. In our view, different issuers of tobacco debt should not be used for diversification; tobacco should be viewed as a single borrower, not a sector.

Industrial Development and Resource Recovery (Index 12.5% - LCP 12.2%) Industrial development and Resource Recovery Bonds (IDR/PCR) issued in the municipal market are typically issued as private activity bonds for corporations or other non-governmental entities. Borrowers include airlines, investor owned utilities, oil refiners, real estate developers, and special purpose corporations to recycle switchgrass, beets, wood waste, fast-food oil or other waste inputs into bio-fuels or other recycled products.

LCP Opinion: While our sector weightings are similar, our borrower profile differs greatly from most IDR/PCR borrowers in the Index. LCP has limited our participation in the sector to single site borrowers with strong operating histories, revenue bond structures with first mortgages and strong covenant packages. LCP leverages our research and structural analytical capabilities, allowing us to exploit our competitive advantage. LCP generally avoids borrowers with the following risks: technological, political, take-over, scale-up or other difficult to quantify and measure risks. LCP is admittedly disadvantaged when trying to analyze American, United or Delta Airlines; PG&E, Exelon or SCANA utilities or other corporate entities that are closely followed by large teams of corporate analysts. (See August 2019 Monthly Note)

Sales Tax (Index - 11.4% - LCP 6.4%) Sales tax revenue bonds are secured by a dedicated revenue stream derived from pledged sales tax revenues. Similar to other revenue bond structures, sales tax revenue bonds have additional collateral, including debt service reserve funds and additional bond covenants. Sales tax bonds generally are viewed positively in the municipal marketplace.

LCP Opinion: COFINA is the only sales tax revenue bond held by LCP presently. Typically, sales tax bonds do not meet our yield to worst (YTW) investment threshold but COFINA, issued by the Commonwealth of Puerto Rico, was an exception. Trading behind 7.00%, LCP first purchased COFINA debt in 2016 after the territory's Governor proposed a restructuring of all island debt that respected the integrity of the COFINA debt structure. LCP analyzed COFINA's debt covenants extensively prior to purchase. A subsequent bankruptcy filing by the Commonwealth, the devastation wrought by Hurricane Maria and infighting amongst different creditors within the Puerto Rico complex caused bonds to trade down lower throughout 2017 and 2018 until a satisfactory resolution was achieved for COFINA debt holders. Ultimately the LCP premise of a secured revenue stream was validated. Today, COFINA senior debt is trading at a premium to original par. (See May 2019 Monthly Note)

General Obligation (Index 8.2% - LCP 0%) General obligation bonds are secured by the full faith and credit of the borrower, with a pledge to raise ad valorem taxes sufficiently to pay debt service.

LCP Opinion: LCP has avoided general obligation debt due to political and judicial risks that are extraordinarily difficult to quantify. Numerous states, cities and smaller municipalities have enormous unfunded pension and OPEB liabilities. In the wake of the city of Detroit's bankruptcy, investors learned that an ad valorem pledge is only good if there are businesses and residents to levy. Detroit unlimited tax GO holders recovered only 74% of their original investment while owners of limited tax GO debt holders received roughly 41% of par value. Puerto Rico debt also illustrates the limitations of general obligation debt. Puerto Rico general obligation bonds are still mired in restructuring negotiations and currently trade at a deep discount to par. Without a dedicated revenue stream tied to a specific project, the borrower's willingness to pay becomes increasingly critical.

TIF and Special Assessments (Index 5.9% - LCP 3.4%) Tax Increment Financing (TIF) and Special Assessment District issuance are backed by special taxes associated with defined economic development areas within a community. TIF bonds are secured by incremental tax revenue associated with the increase in assessed valuation of a district due to economic development. Special Assessment bonds are secured by assessments to property owners based on pre-determined metric and billed on annual property tax bill. Both financing vehicles are used to finance infrastructure improvements to economic development districts.

LCP Opinion: While LCP today has limited TIF and Special Assessment holdings, we have held more in the past. We view development bonds favorably because we can successfully model the growth of the development district and quantify the risks associated with the debt. They tend to fit within our broader investment model of revenue bonds with defined economic drivers to monitor for ongoing surveillance. While similar in purpose, their security is quite different. Special assessment bonds typically have a lien on property, in the event of non-payment, like annual property tax payments. A TIF bond is dependent on the growth of the underlying property's assessment and annual millage rate. Bonds are not secured by a lien on property.

Charter Schools (Index 5.5% – LCP 17.6%) Charter Schools are alternative public education providers that depend on fixed period charters from government authorized entities in order to operate and receive ongoing tuition payments since they cannot levy taxes. In states that permit charter schools to operate a fixed dollar amount per-student tuition payment is transferred from the public-school district budget. In addition, many states allow charter schools to issue bonds to raise necessary capital.

LCP Opinion: LCP views charter school debt favorably, representing our second largest sector allocation. In 2010, charter school issuance consisted of 50 deals with an aggregate par value of $711MM. In 2019 total issuance grew to 131 deals with an aggregate par value of $3.2 BN, meaning the market is now 4.5x larger versus ten years ago. Having monitored the charter school sector for a number of years, LCP made its first significant allocation in 2015. Many factors impact charter school viability: financial metrics, academic performance, state receptivity, multi-campus vs. single campus schools, specialized programs, charter renewal risk, local demand for admission, school management and operating history. LCP closely evaluates all these variables, choosing those schools that best meet our investment criteria. (See October 2019 Monthly Note)

Higher Education (Index 2.8% - LCP 12.7%) There are approximately 3,300 public and private non-profit universities in the United States, all of which differ in size and curriculum offered. Institutions of higher education often issue bonds to construct entirely new facilities as well as renovate existing facilities. Projects are designed to improve both the physical compound and create new subject or course offerings which will maintain or boost student enrollment. A growing or stable enrollment enhances an institution's ability to service its debt. Higher education experts predict the closing of many institutions in the coming years due to increasing fiscal stress resulting from the absence of a relevant curriculum.

LCP Opinion: LCP continues to find value in the higher education sector as we analyze each school individually based on quantitative and qualitative factors: Tuition levels and corresponding ratio to starting salaries, regional or national draw of the school, demand for specific programs, academic quality and reputation, student retention rates, enrollment size, post-graduation opportunities, alumni engagement and financial support, restricted vs. unrestricted endowments and real estate or other asset valuations. While we have historically focused on private liberal arts schools, LCP made its first public university purchase in 2019 and continues to look for opportunities in the sector (see June 2019 Monthly Note).

Healthcare (Index 8.2% - LCP 10.3%) Not for profit hospitals access the municipal market for a number of reasons which fall into 3 broad categories: Facilities improvement or expansion, acquisition of another facility or system, and re-financing outstanding debt. Credit analysis is dependent on the type of facility and its position within the local healthcare community. Debt service coverage, utilization rates, payor mix, healthcare services and specialties offered, strategic position within the community are a few of the criteria used to measure credit quality. Outside political forces including federal healthcare policy (Medicare and Medicaid reimbursement) and state and local policy decisions also have important credit impacts

LCP Opinion: While still invested in the sector today, LCP's exposure is low by historical standards. The ever-changing political landscape, resulting in uncertainty regarding future healthcare policy, is the reason behind LCP's lower exposure. Historically, critical access hospitals (CAH) were our focus. The passage of ACA led LCP to transition out of CAH debt in favor of midsized hospitals in mid-major cities which benefitted from additional Medicaid support. Today we find opportunity in Federally Qualified Health Centers (FQHC), which see support from both political parties in Washington (See July 2019 Monthly Note). Presidential and legislative election outcomes in November 2020 will impact the healthcare market in ways that cannot currently be quantified. Anticipating changes in coverage and regulation, as well as assessing more conventional credit risk, is essential in assessing and monitoring the credit worthiness of hospital bonds.

Senior Living (Index 12.3% – LCP 26.9%) Continuing care retirement communities (CCRC) are living communities designed specifically for elderly residents. CCRCs typically consist of some combination of independent living, assisted living, memory care, and skilled nursing units. In this way CCRCs accommodate the progression of the state of health of elderly individuals as they age. Sponsorship is often 'faith-based' but also includes for-profit entities. Senior living communities include both rental as well as entrance fee models.

LCP Opinion: At 27%, senior living comprises our largest sector exposure, yet our exposure is down from early 2019. The historically low unemployment rate and tight labor market have driven up labor costs and limited worker availability, increasing financial pressure on select borrowers. Local market analysis, construction costs, entrance fees, resident fill-up and retention rates, payor-mix, sponsorship commitment are factors that are always monitored by LCP. Although a complex sector, we feel that senior living will continue to see substantial growth in coming years as baby-boomers retire and seek long-term lifecare solutions. The wide range of care options available within most CCRCs, coupled with the quality and variety of life and care options they can offer, make them attractive for an aging U.S. population and a sector that LCP focuses intently on.

Utilities (Index 4.1% - LCP 5.7%) Utilities include water and sewer, electricity and public power, and combined utilities. Utility bonds are generally secured by a revenue pledge, first mortgage on facilities and covenant package.

LCP Opinion: Utilities fit nicely into our investment profile. Given the essentiality of the services provided by utilities, the debt issued does not typically meet our yield threshold. The lone exception has been the provider of "Wicked Fast" internet connectivity to rural Vermont. The deal's smaller sizing and staggered debt issuance has lent itself to meet both our credit requirements and yield criteria.

Housing (Index 3.8% - LCP 2.6%) The housing sector in the municipal bond market can be broken into three distinct sub-sectors: Single Family, Multi-Family and Student housing. Single family housing bonds are issued by state and local issuers to provide low-cost mortgages to first time homebuyers and are not included in the high yield index. Multi-family housing bonds are issued to finance the construction or acquisition of housing for low to moderate income residents. Student housing bonds are issued to finance acquisition, construction or rehabilitation of student housing facilities. Housing bonds are typically secured by a net revenue pledge, first mortgage, debt service reserve and other covenant protections.

LCP Opinion: LCP likes both sectors and diligently looks for projects that meet both our credit criteria and yield threshold. The supply of student housing debt was more plentiful ten years ago following the demise of the monoline insurers. Today, there has been a revival in student housing debt issuance, with P3 (Public-Private Partnerships) leading the way. Many of the newly issued student housing deals have failed to meet financial projections and now meet our yield parameters.

Sources: LMHYTR - Bloomberg, LLP. Lind Capital Partners Sector Weighting and Performance Calculations – Clearwater Analytics, LLC

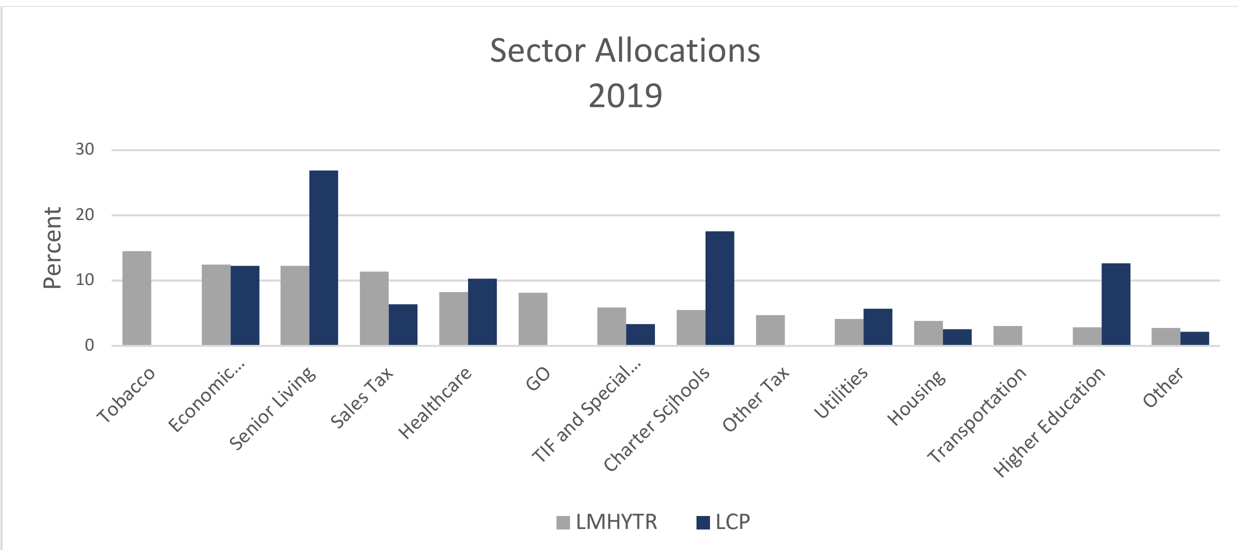
Transportation (Index 3.0% - LCP 0.0%) The transportation sector includes toll roads, toll bridges, parking facilities, ports and marinas and airports. These bonds are typically secured by gross or net revenue pledges, debt service reserve funds and covenant packages. Historically, certain transportation bonds fall into the high yield category as actual financial results fail to meet original financial forecasts and feasibility projections.

LCP Opinion: Today, LCP does not own any transportation bonds although we previously owned bonds issued for a toll bridge in the Lake of the Ozarks. Overall, we like the sector and diligently look for seasoned issues that meet our credit and yield criteria.

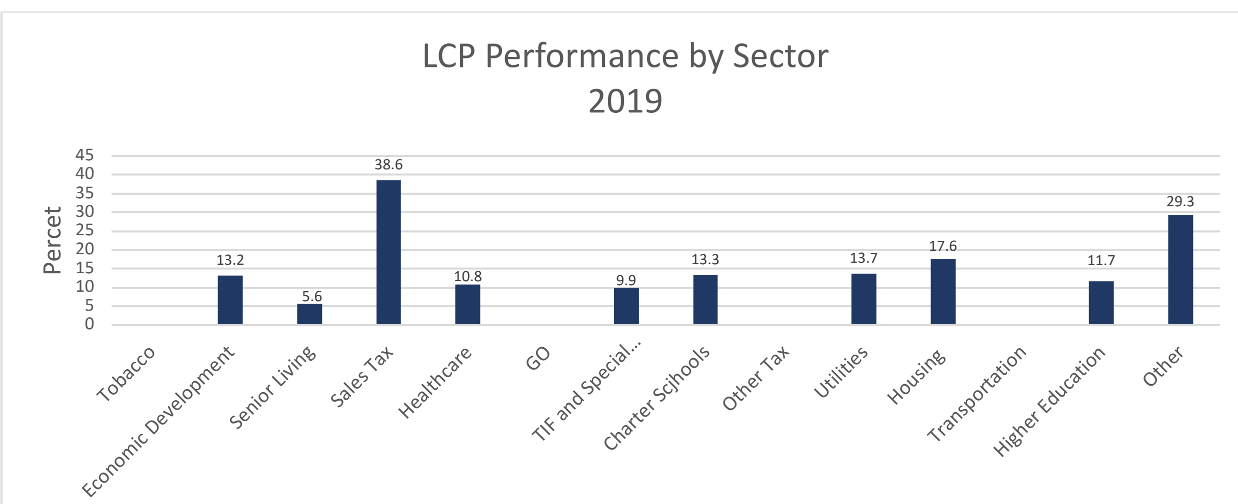
Other Tax (Index 4.8% - LCP 0.0%) Other tax includes other tax backed municipal bonds not including general obligation, sales tax and general fund appropriation bonds. They include miscellaneous tax, income tax, tax backed districts and government leases.

LCP Opinion: LCP does not own any bonds in this sector. See General Obligation bonds, above.

Other (Index 2.8% - LCP 2.2%) Goodwill of Southern Nevada, a social service agency, is our sole bond not fitting into any of the above categories. It is secured by 3 facilities in Las Vegas, a corporate guaranty and various reserve funds.



1. LCP Sector weightings based on invested capital, net of cash.



Sources: LMHYTR - Bloomberg, LLP. Lind Capital Partners Sector Weighting and Performance Calculations – Clearwater Analytics, LLC

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