

## High Yield Impact Survey

We are pleased to share with you the results of the second annual HilltopSecurities High Yield Impact Survey conducted Nov. 7-22. The survey received 110 responses from a diverse group of market participants including investors, sell side intermediaries, bankers and advisors, rating analysts, attorneys, insurers, and other market participants.

The answers to each of these questions brought significant insight into the divergence of opinions and cutting-edge thought leadership regarding factors that drive the High Yield sector.

The Highlights:

- While 50% of respondents are expecting another increase of 50 basis points on BBB bond yields by July 1, 2023, remaining respondents are split equally between bond yields staying the same or actually decreasing.
- ESG designation is nice to have according to more than 90% of respondents, but that designation does not carry any tangible value.
- Senior living, skilled nursing, project finance, and health care, together comprise the sectors that are most concerning, highlighting the financial vulnerability introduced by labor shortages and wage pressures.
- Respondents are not worried about the impact that working from home might have on revenue streams, nor are they worried about the hotel industry or charter schools.
- Of note, the survey unequivocally projects that COVID-19 will not be an issue in 2023.
- Investors would like to add exposure to toll road/airport, land secured, and charter school sectors.
- Investors that participate in land secured transactions are focused on location and value to lien and are increasingly concerned about Colorado land secured credits.
- Finally, the No. 1 issue in High Yield project evaluation is assessment of liquidity and equity followed by management and covenant package, and in the case of project finance, respondents want to see technology that works and equity. That makes sense. We need ample liquidity and seasoned management to pilot through our expectations of medium-term turbulence.

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