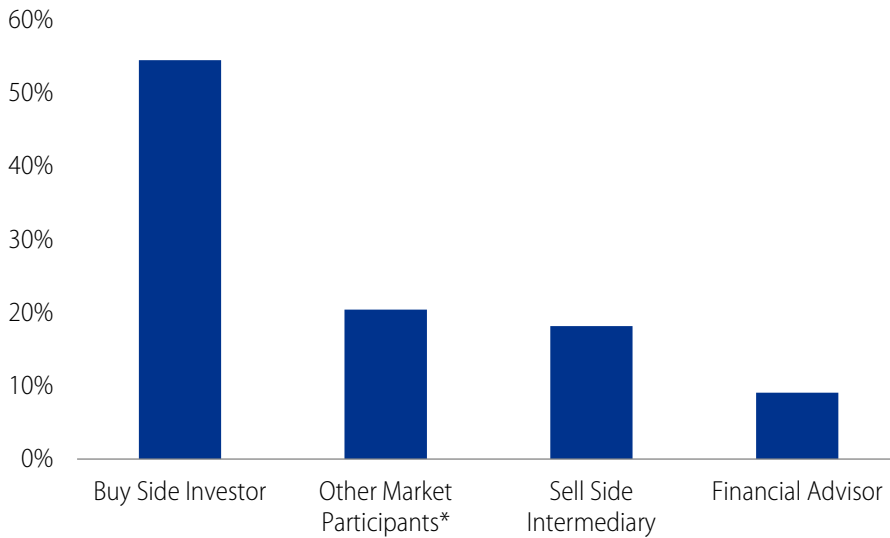


High Yield Impact Survey

The HilltopSecurities High Yield Team is pleased to share with you the results of our first annual High Yield Impact Survey.

1. What is your role in the market?



The HilltopSecurities High Yield Team released the survey to a diverse group of market participants including buy side investors, independent analysts, market observers, attorneys, financial advisors and sell side intermediaries. We received 88 responses which provide strong support for investment opinions in 2022.

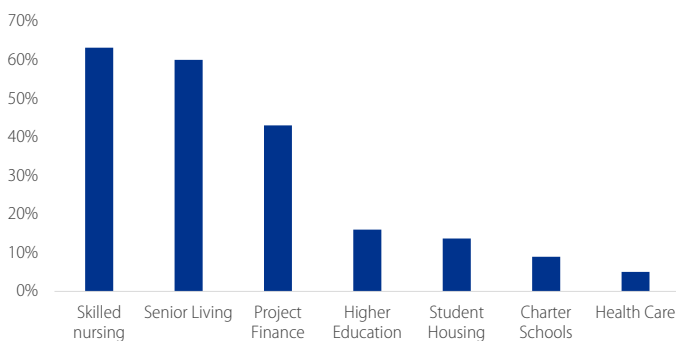
*Market participants include: independent analysts, attorneys focused on High Yield projects and other market intelligence providers.

Source: HilltopSecurities.

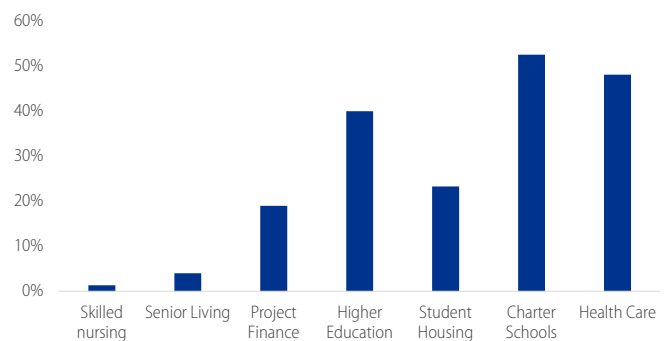
2. What sector are you most concerned about in 2022? (Please rank)

Percent of respondents who ranked each sector as their "first or second level of concern" versus their "sixth or seventh level of concern" in 2022

Most Concerned



Least Concerned



Question 2 (continued)

Sector	Level of concern (1 being most concerned)						
	1	2	3	4	5	6	7
Skilled nursing	26.3%	36.8%	18.4%	9.2%	7.9%	1.3%	0.0%
Senior Living	32.0%	28.0%	24.0%	8.0%	4.0%	1.3%	2.7%
Project Finance	30.4%	12.7%	17.7%	13.9%	6.3%	8.9%	10.1%
Higher Education	4.0%	12.0%	6.7%	13.3%	24.0%	9.3%	30.7%
Student Housing	6.8%	6.8%	13.7%	28.8%	20.6%	17.8%	5.5%
Charter Schools	1.3%	7.7%	9.0%	11.5%	18.0%	26.9%	25.6%
Health Care	5.1%	0.0%	12.7%	16.5%	17.7%	30.4%	17.7%

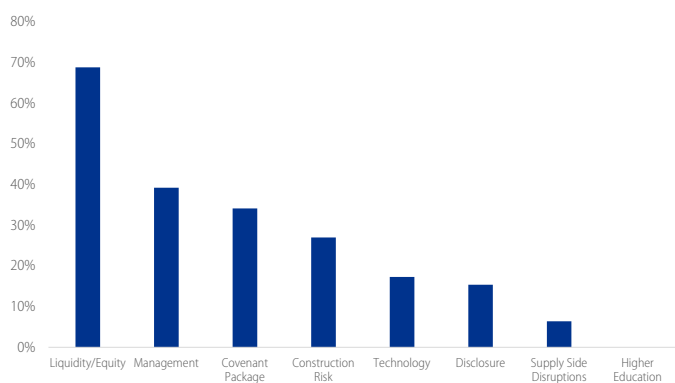
Source: HilltopSecurities.

We asked respondents to rank their levels of concern in seven sectors. We then combined the top two and bottom two levels of concern. As we head into 2022, the market assessment concern is warranted in the skilled nursing and senior living sectors followed by project finance. 52% of respondents indicated little concern for the charter school area and almost 50% of respondents report little concern in the health care sector. We think it is very interesting that the third-place winner for least concern is student housing. Perhaps following the defaults and impairments triggered by Covid, stabilization in student housing is anticipated?

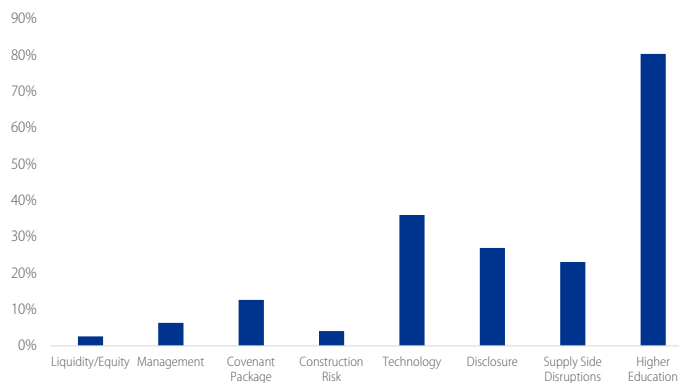
3. What concerns you the most on a High Yield Deal? (Please rank)

Percent of respondents who ranked each sector as their "first or second level of concern" versus their "seventh or eighth level of concern" in 2022

Most Concerned



Least Concerned

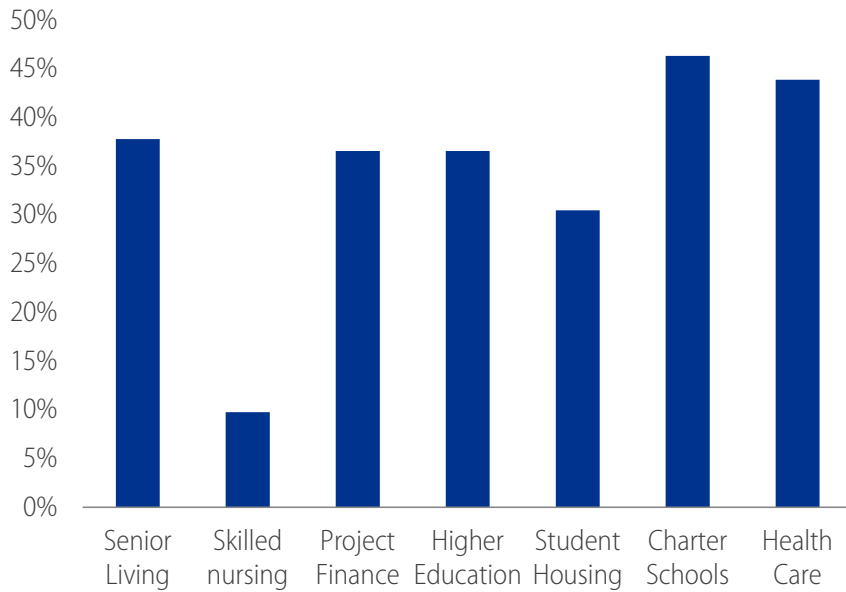


Sector	Level of concern (1 being most concerned)							
	1	2	3	4	5	6	7	8
Liquidity/Equity	44.2%	24.7%	9.1%	9.1%	7.8%	2.6%	2.6%	0.0%
Management	15.2%	24.1%	22.8%	17.7%	8.9%	5.1%	3.8%	2.5%
Covenant Package	20.3%	13.9%	22.8%	10.1%	11.4%	8.9%	8.9%	3.8%
Construction Risk	6.8%	20.3%	21.6%	25.7%	16.2%	5.4%	4.1%	0.0%
Technology	13.3%	4.0%	6.7%	4.0%	13.3%	22.7%	24.0%	12.0%
Disclosure	3.9%	11.5%	14.1%	12.8%	15.4%	15.4%	20.5%	6.4%
Supply Side Disruptions	1.3%	5.1%	6.4%	18.0%	11.5%	34.6%	18.0%	5.1%
Higher Education	0.0%	0.0%	1.5%	1.5%	12.1%	4.6%	13.6%	66.7%

Source: HilltopSecurities.

Liquidity and equity were ranked as the top concern on a high yield deal. One respondent commented that they would rather not rank, as all factors were important. It is interesting to note that covenant package ranked third after management. While supply side disruptions were ranked with less concern, the High Yield Team notes that several high yield transactions have underperformed in 2021 because of disruptions and we encourage investors to keep vigilant on this trend.

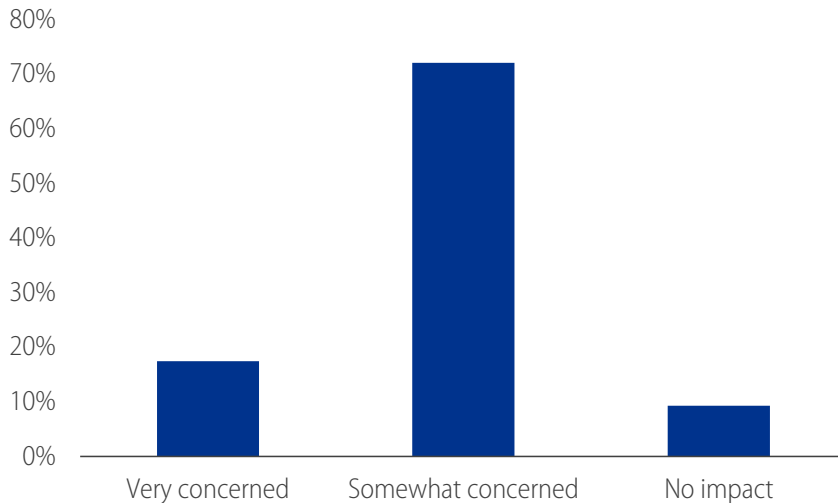
4. Which High Yield sectors are you looking to add exposure? (Choose up to 3)



Charter Schools and the Health Care sector were the two areas that investors wanted to add most significantly. This finding corroborated Q3 in which investors called out these two sectors as areas in which they were least concerned. Other respondents added, dirt, and deals priced at the right level, tax credit deals, non-traditional health care, tobacco, index eligible deals, and California Work Force Housing. Given these opinions, 2022 is going to be an adventure!

Source: HilltopSecurities.

5. How concerned are you that COVID-19 will disrupt operations at the project level in 2022?



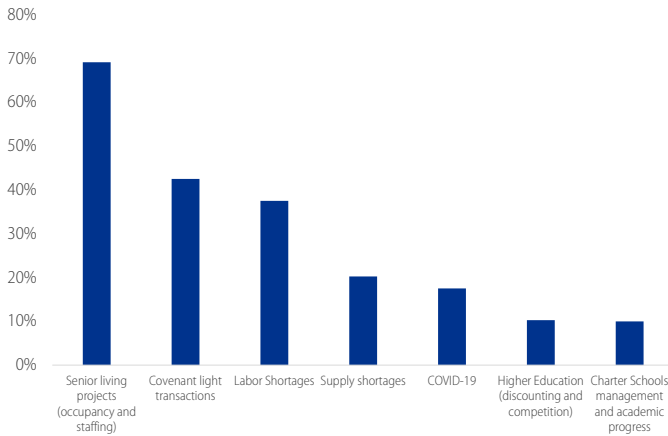
The survey closed on Friday, Dec. 17th. It is interesting to ponder how this answer may have changed given the proliferation of Covid cases through the second half of December.

Source: HilltopSecurities.

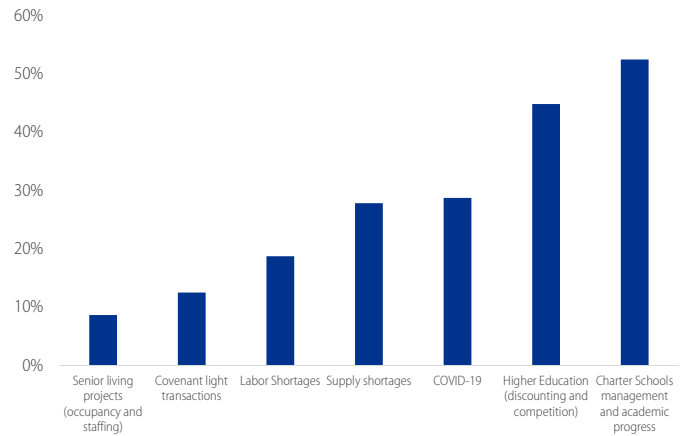
6. In your opinion, what is the biggest High Yield sector challenge to watch out for in 2022? (Please rank)

Percent of respondents who ranked each sector challenge as their "first or second biggest challenge" versus their "sixth or seventh biggest challenge" in 2022

Biggest Challenge



Smallest Challenge



Sector Challenges	Ranking of Sector Challenges (1 being the biggest challenge)						
	1	2	3	4	5	6	7
Senior living projects (occupancy and staffing)	50.6%	18.5%	9.9%	8.6%	3.7%	7.4%	1.2%
Covenant light transactions	20.0%	22.5%	13.8%	16.3%	15.0%	7.5%	5.0%
Labor Shortages	18.8%	18.8%	18.8%	11.3%	13.8%	11.3%	7.5%
Supply shortages	5.1%	15.2%	15.2%	15.2%	21.5%	16.5%	11.4%
COVID-19	2.5%	15.0%	21.3%	17.5%	15.0%	13.8%	15.0%
Higher Education (discounting and competition)	6.4%	3.9%	6.4%	16.7%	21.8%	14.1%	30.8%
Charter Schools management and academic progress	0.0%	10.0%	16.3%	15.0%	6.3%	28.8%	23.8%

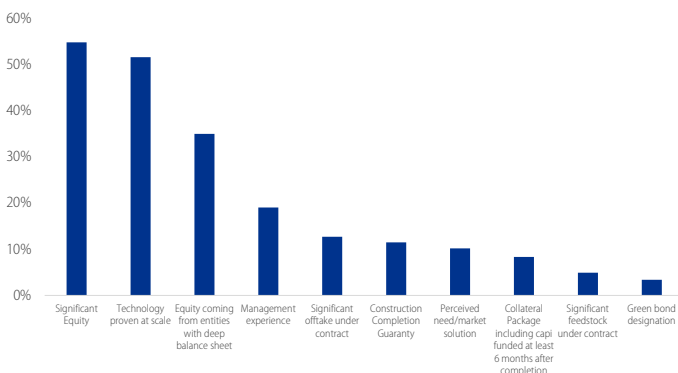
Staffing and occupancy at senior living communities have been identified as the biggest challenge as we head in 2022 while charter schools effectuating academic progress and discounting and competition in the higher education sectors pose less risk for investors. One respondent flagged watch out for spread widening in 2022!

Source: HilltopSecurities.

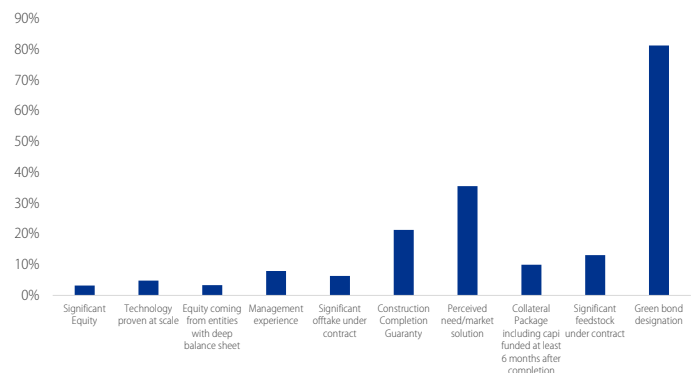
7. What drives your assessment of a renewable energy bond? (Please rank)

Percent of respondents who ranked each driver as their "first or second biggest driver" versus their "ninth or tenth biggest driver" in 2022

Biggest Driver



Smallest Driver



Question 7 (continued)

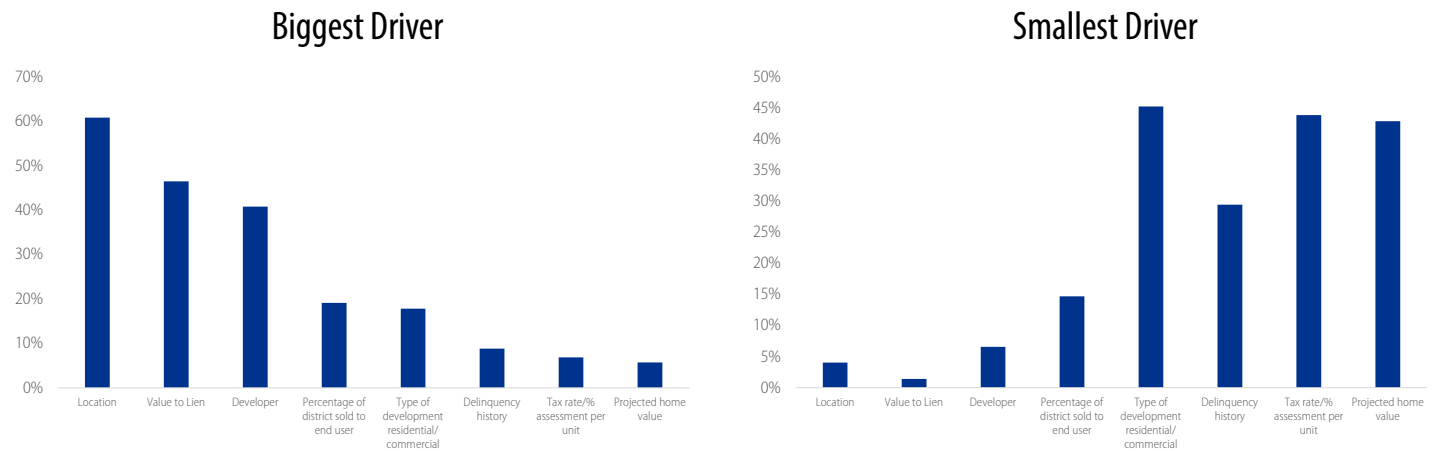
Driver	Ranking of Drivers (1 being the biggest driver)									
	1	2	3	4	5	6	7	8	9	10
Significant Equity	12.9%	41.9%	17.7%	4.8%	9.7%	1.6%	6.5%	1.6%	3.2%	0.0%
Technology proven at scale	40.3%	11.3%	22.6%	8.1%	3.2%	3.2%	4.8%	1.6%	1.6%	3.2%
Equity coming from entities with deep balance sheet	23.3%	11.7%	23.3%	15.0%	10.0%	5.0%	6.7%	1.7%	1.7%	1.7%
Management experience	7.9%	11.1%	15.9%	27.0%	4.8%	12.7%	7.9%	4.8%	4.8%	3.2%
Significant offtake under contract	1.6%	11.1%	3.2%	14.3%	17.5%	15.9%	22.2%	7.9%	6.4%	0.0%
Construction Completion Guaranty	8.2%	3.3%	6.6%	1.6%	9.8%	8.2%	11.5%	29.5%	14.8%	6.6%
Perceived need/market solution	3.4%	6.8%	3.4%	6.8%	3.4%	6.8%	10.2%	23.7%	32.2%	3.4%
Collateral Package including capi funded at least 6 months after completion	3.3%	5.0%	11.7%	6.7%	30.0%	15.0%	8.3%	10.0%	8.3%	1.7%
Significant feedstock under contract	3.3%	1.6%	4.9%	18.0%	9.8%	24.6%	16.4%	8.2%	8.2%	4.9%
Green bond designation	1.7%	1.7%	0.0%	0.0%	1.7%	3.4%	3.4%	6.8%	11.9%	69.5%

Respondents had strong opinions on how to assess renewable energy bonds! One participant wrote “these ranking are unfair because ALL are IMPORTANT drivers; another response was “these are all critically important except green bond designations” Tough to rank – all could be 1’s yet another commented “Avoid like the plague.” Conclusively there is a diversity of thought and opinions will drive pricing and capital provision!

Source: HilltopSecurities.

8. What drives your decision on development projects? (Please rank)

Percent of respondents who ranked each driver as their "first or second biggest driver" versus their "seventh or eighth biggest driver" in 2022

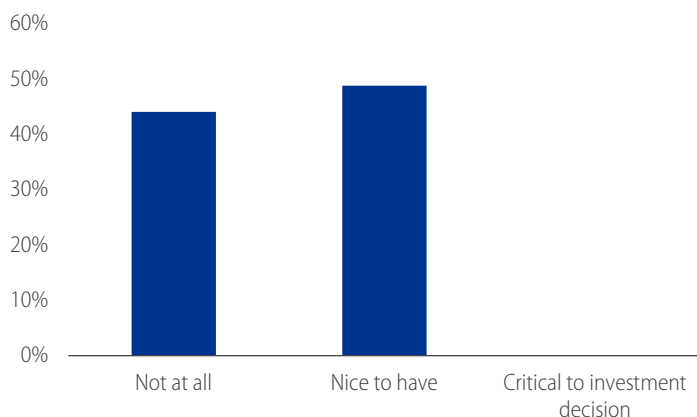


Driver	Ranking of Drivers (1 being the biggest driver)							
	1	2	3	4	5	6	7	8
Location	47.3%	13.5%	16.2%	12.2%	2.7%	4.1%	1.4%	2.7%
Value to Lien	25.4%	21.1%	23.9%	18.3%	4.2%	5.6%	1.4%	0.0%
Developer	6.6%	34.2%	21.1%	13.2%	11.8%	6.6%	5.3%	1.3%
Percentage of district sold to end user	8.8%	10.3%	7.4%	20.6%	26.5%	11.8%	8.8%	5.9%
Type of development residential/ commercial	5.5%	12.3%	12.3%	5.5%	6.8%	12.3%	21.9%	23.3%
Delinquency history	2.9%	5.9%	4.4%	8.8%	25.0%	23.5%	13.2%	16.2%
Tax rate/% assessment per unit	1.4%	5.5%	6.8%	9.6%	13.7%	19.2%	26.0%	17.8%
Projected home value	4.3%	1.4%	11.4%	12.9%	10.0%	17.1%	18.6%	24.3%

When assessing a development deal its location, location, location according to respondents! A second-place nod was assigned to value to lien. Interesting to note that the type of development commercial vs residential is the least important credit driver.

Source: HilltopSecurities.

9. How important is the green bond designation to your investment in a High Yield credit?



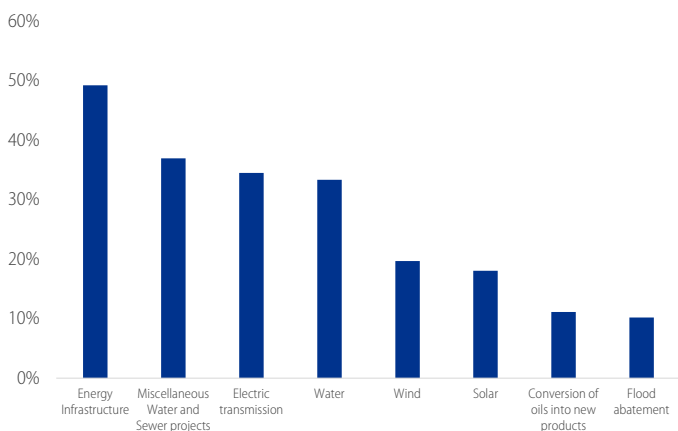
Project finance in the municipal market brings opportunity for higher yielding securities and new technologies that may positively impact the environment. However, respondents have clearly articulated that a green bond designation is merely "nice to have". We share from the comments: "nice to have" but wouldn't pay even a basis point. Another: "Not important, would rather have more specificity in the use of proceeds for us to make our own assessment".

Source: HilltopSecurities.

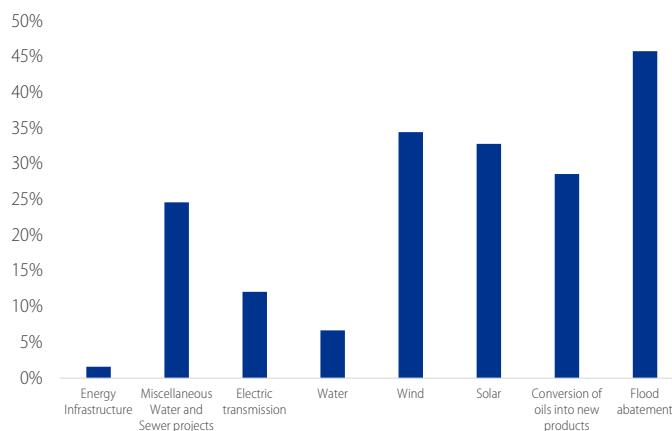
10. Which High Yield projects in the utility/power sector do you project the greatest issuance in 2022? (Please rank)

Percent of respondents who ranked each project as their "first or second project" versus their "seventh or eighth project" in 2022

Greatest Issuance



Smallest Issuance

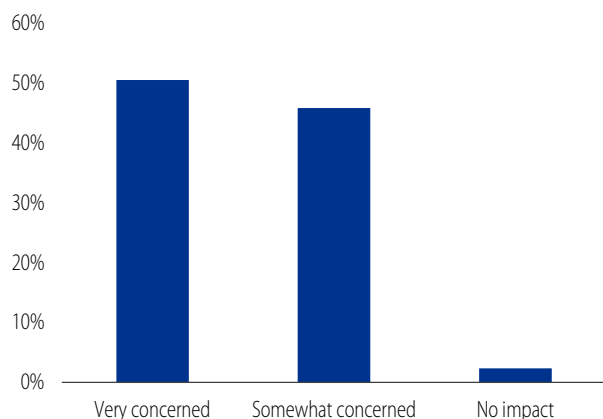


High Yield projects in the utility/power sector	Ranking of Project (1 being the greatest)							
	1	2	3	4	5	6	7	8
Energy Infrastructure	28.6%	20.6%	22.2%	15.9%	7.9%	3.2%	1.6%	0.0%
Miscellaneous Water and Sewer projects	20.0%	16.9%	10.8%	12.3%	4.6%	10.8%	7.7%	16.9%
Electric transmission	8.6%	25.9%	20.7%	12.1%	13.8%	6.9%	8.6%	3.5%
Water	25.0%	8.3%	13.3%	20.0%	15.0%	11.7%	6.7%	0.0%
Wind	6.6%	13.1%	8.2%	8.2%	4.9%	24.6%	11.5%	23.0%
Solar	6.6%	11.5%	11.5%	6.6%	21.3%	9.8%	27.9%	4.9%
Conversion of oils into new products	9.5%	1.6%	4.8%	19.1%	20.6%	15.9%	6.4%	22.2%
Flood abatement	3.4%	6.8%	10.2%	6.8%	11.9%	15.3%	25.4%	20.3%

Respondents believe that investments in energy infrastructure will predominate in 2022. However, investment opportunities in water, sewer and electric will also abound. It is interesting to note that flood abatement and conversion of oils into new products are expected to have more muted issuance in 2022.

Source: HilltopSecurities.

11. How concerned are you that labor shortages will affect cost containment/expense budget at the project level in 2022?

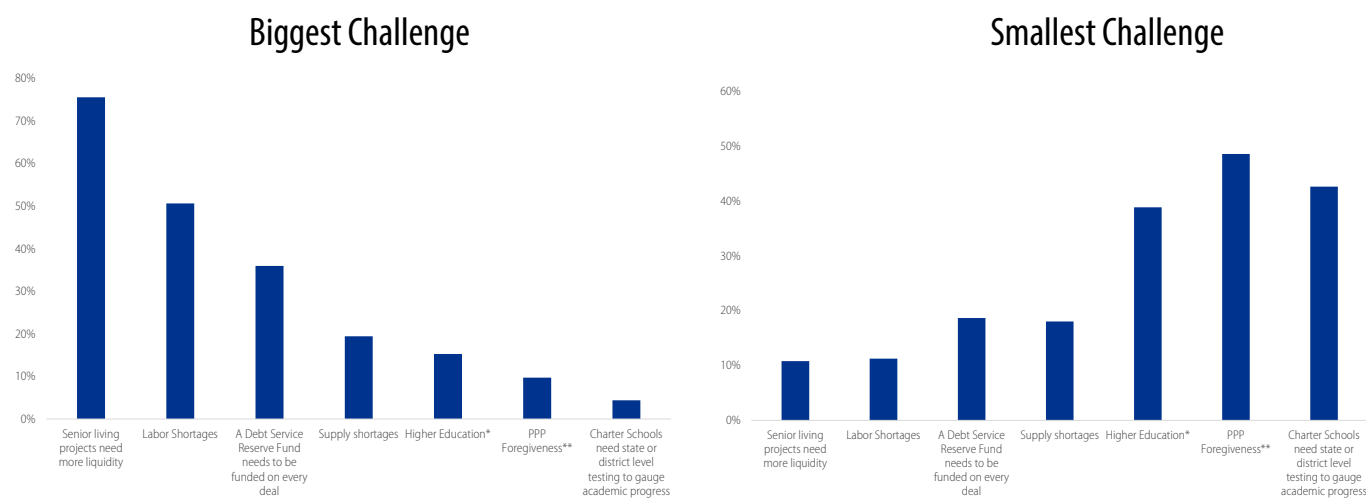


In so many High Yield projects, labor is the single largest expense. As labor costs increase faster than revenue growth on many projects, it is no surprise that this is an area of concerns for investors in 2022.

Source: HilltopSecurities.

12. In your opinion, what was the biggest High Yield sector challenge in 2021?

Percent of respondents who ranked each sector challenge as their "first or second biggest challenge" versus their "sixth or seventh challenge" in 2021



* The status of PPP forgiveness needs to be better explained particularly when the loan has not/will not be forgiven

** Higher Education disclosure needs to be more frequent than annual

High Yield Sector Challenges	Ranking of Challenges (1 being the biggest challenge)						
	1	2	3	4	5	6	7
Senior living projects need more liquidity	54.05%	21.62%	6.76%	4.05%	2.70%	5.41%	5.41%
Labor Shortages	23.94%	26.76%	15.49%	11.27%	11.27%	5.63%	5.63%
A Debt Service Reserve Fund needs to be funded on every deal	16.00%	20.00%	21.33%	13.33%	10.67%	12.00%	6.67%
Supply shortages	5.56%	13.89%	30.56%	20.83%	11.11%	13.89%	4.17%
Higher Education*	2.78%	12.50%	8.33%	16.67%	20.83%	22.22%	16.67%
PPP Foregiveness**	2.78%	6.94%	5.56%	16.67%	19.44%	11.11%	37.50%
Charter Schools need state or district level testing to gauge academic progress	0.00%	4.41%	13.24%	16.18%	23.53%	27.94%	14.71%

The perpetuation of Covid, supply side challenges, and a historically low rate environment were hallmarks for 2021. Nonetheless within the High Yield Sector investors assessed liquidity in the senior living sector as the single most sector challenge. Respondents have also flagged labor shortages and the perpetuation of fully funded debt service reserve funds as factors that challenged the sector in 2021.

Source: HilltopSecurities.

On behalf of the HilltopSecurities High Yield Team, we wanted to wish everyone a happy and healthy Holiday Season. We look forward to an exciting 2022.

- Yaffa, John, and Elizabeth

Yaffa Rattner

Head of Municipal Credit
Senior Managing Director
214.859.9883
yaffa.rattner@hilltopsecurities.com

John Pellicci

Head of Municipal Underwriting & Sales
Senior Managing Director
612.439.6110
john.pellicci@hilltopsecurities.com

Elizabeth Funk

Municipal Underwriter
Managing Director
303.248.2502
elizabeth.funk@hilltopsecurities.com

The paper/commentary was prepared by HilltopSecurities (HTS). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS as of the date of the document and may differ from the views of other divisions/departments of affiliate Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. This material has not been prepared in accordance with the guidelines or requirements to promote investment research, it is not a research report and is not intended as such. Sources available upon request.

Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS is a wholly owned subsidiary of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP