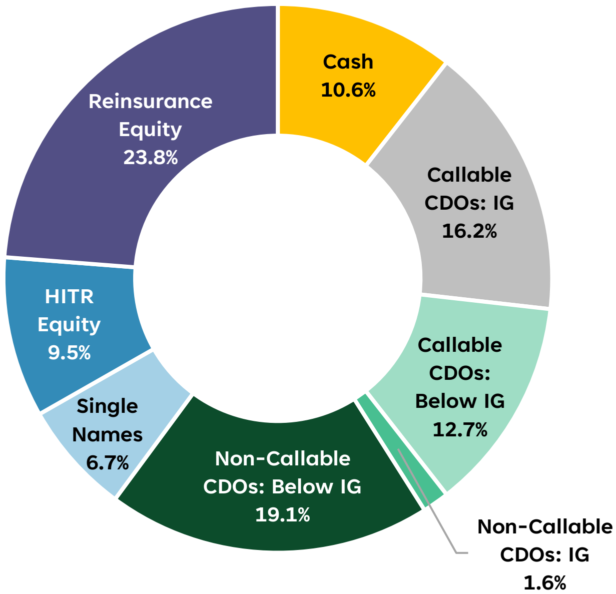
## Fund Return Statistics[2]

| Returns | Onshore (Net) | Offshore (Net) |
|---|---|---|
| MTD | 1.09% | 1.06% |
| QTD | 2.82% | 2.73% |
| YTD | 4.07% | 3.95% |
| 1-Yr | 11.70% | 11.50% |
| 3-Yr (Ann.) | 4.92% | 4.82% |
| 5-Yr (Ann.) | 2.19% | 2.13% |
| 10-Yr (Ann.) | 5.84% | 5.81% |
| ITD (Ann.) | 14.82% | 14.80% |

## Current Allocations[3]




## Market Commentary

The second quarter of 2024 saw significant spread compression in markets and marked adjustments to interest rate expectations on weaker economic data. In our 1Q24 letter, we highlighted how interest rate cuts that were priced into markets slipped out of view during the quarter. In the latter half of the second quarter, weaker employment, CPI, and GDP prints brought these cuts back into focus. Particularly, the first week in May and the first week in June saw large swings lower in prevailing 10-year yields. The market ended the quarter aligned for a potential September rate cut, with additional cuts expected through the end of 2024 and into 2025.

## Bank Fundamentals

In 2Q24, bank earnings were largely above expectations, but still lower YTY and QTQ due to flat loan balances combined with narrower net interest margins ("NIMs"), which led to flat/lower net interest income. Fees have also been flat (largely due to muted residential mortgage originations) and expenses have been modestly higher, negatively impacting pre-tax, pre-provision earnings. Net income, however, was slightly higher than expected due to lower loss provisions than anticipated. The long-awaited credit quality fallout due to commercial real estate ("CRE") continues to be elusive, occupying more space in investors' minds than on bank balance sheets. There has been, however, an across-the-board increase in criticized and classified loans, especially for the aforementioned CRE loans. Banks have consistently been re-rating credits, and downgrading those that would not meet current underwriting standards. But this is prudent banking, and it appears that bank managements believe the reserves they have been building since the second half of 2022 are now adequate; therefore, there is no need to continue to build reserves at the same pace as the past few quarters. We believe capital ratios should remain around current levels, with any improvements due to more rate driven changes to AFS securities than high levels of retained earnings; however, bank capital remains near record levels, further providing protection for TruPS issuing banks.

Bankers are optimistic that lower interest rates, which are expected to materialize in 2H24-25, will improve net interest margins, and that economic growth will promote loan growth and keep credit costs in check. Importantly, NIM improvements should occur even if rates don't decline as last year's CD "specials" roll off. Loan growth may pick up, although even the most optimistic banks only expect loans to grow in the mid-single-digits. Even modest improvements in margins and small loan growth will lead to higher net interest income, which should combine with flattish expenses to create earnings growth that will be apparent by 4Q24. Flat to somewhat lower rates will also likely lead to somewhat higher capital ratios, but banks are also likely to prudently add to reserves if criticized/classified loans continue to rise, which may slightly mute that growth.

## Portfolio Deconstruction – TruPS CDOs

### A. Value of the Assets

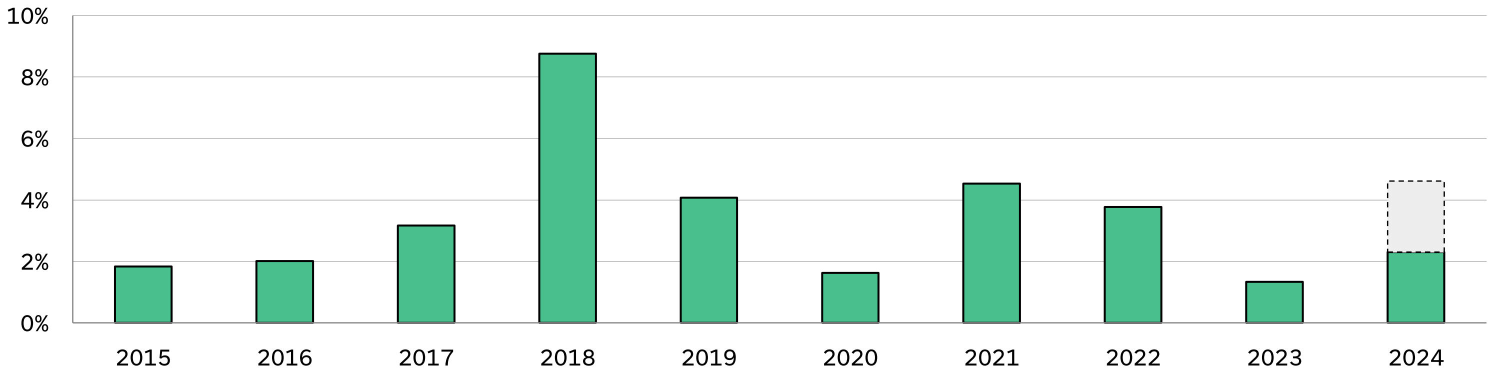
The weighted average price of HOF's TruPS CDO book decreased from approximately $49.2 to $38.1 during the quarter. This decline is attributable to the transfer of higher priced bonds to Hildene Re. At the end of the quarter, HOF owned approximately $668mm market value of TruPS CDOs.

Prepayments: During 2Q24, we saw TruPS prepayments totaling approximately $71mm, a significant drop-off from 1Q24 figures. Compared to the prior quarter, Hildene believes 2Q24 was more reflective of the broader industry, namely management's incentive to keep TruPS outstanding in the near term to preserve low-cost Tier-1 capital. We maintain our belief that prepayments will ramp up towards the back half of the decade as a large portion of issuers begin to lose regulatory capital treatment for their TruPS in the five years leading up to final maturity. Back-ended prepay acceleration would significantly shorten the duration of mezzanine TruPS CDO tranches versus market expectations.

The largest issuer to redeem TruPS in 2Q24 was NASB Financial, Inc. (North American Savings Bank, FSB), redeeming their entire $25mm TruPS balance held across two deals. We believe that full redemptions such as this are a positive sign for the broader industry, signaling balance sheet stability and liquidity in new issue markets for debt refinancing.

1. North American Savings Bank, FSB as of 3/31/2024:
   - **Total Assets:** $2.8bn
   - **Tier 1 Common Capital (CET1) Ratio:** 23.42%
   - **Tangible Common Equity Ratio:** 13.71%
   - **Texas Ratio:** 4.90%

**TruPS CDO Annual Prepayment Rate**



Deferrals/Cures: Hildene tracked three deferrals this quarter totaling $12.8mm. The current deferral universe consists of 24 banks and 5 insurance companies. Hildene rates 62.3% of deferring issuers (notional value of $258.3mm) as 'Deferring (1),' meaning that we believe it is highly probable the issuers will come current on their TruPS obligations. We also have a high degree of confidence in obtaining partial recovery on a majority of the remaining 37.7% of lesser-quality institutions (notional value of $156.1mm).

There has been a slight uptick in consent orders issued by the regulators over the past year, those of which will typically restrict the operating bank from paying dividends to the holding company until order-specific financial stability metrics and strategic initiatives are achieved by the operating bank. Take for example a consent order issued to MinnStar Bank National Association in 1Q24, an $8.8mm TruPS issuer held in 3 deals. This consent order came with the stipulation that dividends from the operating bank to the holding company would be blocked until financial stability metrics were met, and we downgraded them to 'Questionable' in anticipation of their deferral. This bank has since deferred on their TruPS and will be downgraded further.

1. MinnStar Bank, National Association as of 3/31/2024:
    - **Total Assets:** $219.4mm
    - **Tier 1 Capital (CET1) Ratio:** 12.35%
    - **Tangible Common Equity Ratio:** 9.15%
    - **Texas Ratio:** 0.28%

Defaults/Restructuring/Recoveries: There were no defaults on TruPS held in Hildene's TruPS CDO universe last quarter; however, Hildene did track a default resulting from the failure of Republic First Bank in late April. This failure was entirely the result of consistent failures of internal controls and poor management at the c-suite level. Neither Hildene nor Hildene's TruPS CDO universe had exposure to this default.

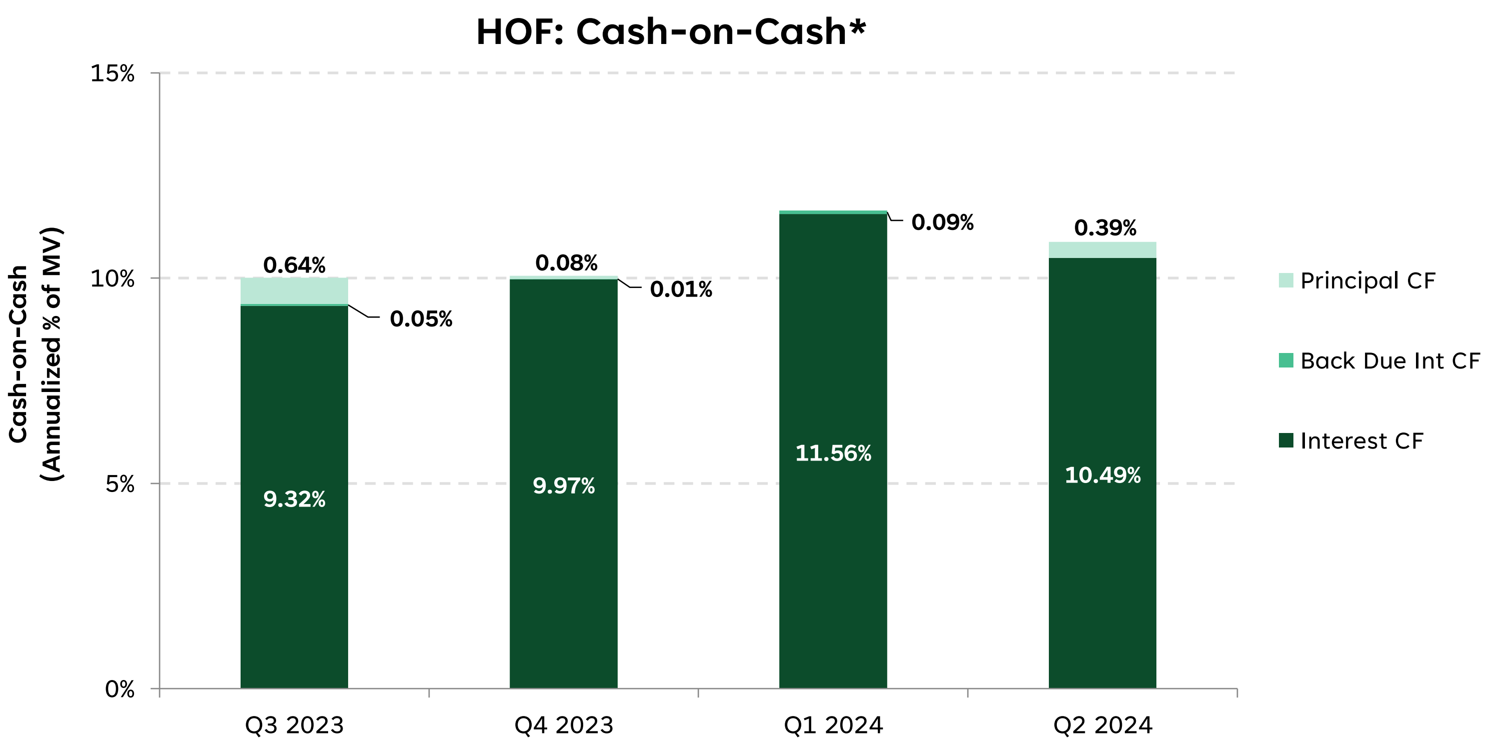
There was one small recovery this quarter from a defaulted insurance company, which has been in bankruptcy proceedings since 2014. We remain active in tracking the bankruptcy proceedings of currently defaulted TruPS issuers and gauge the probability and size of a recovery payment as applicable.

### B. Value of the Structure

Rating Actions: Hildene tracked a few rating actions this quarter:

- **MMCAP 17** was upgraded 1-4 notches across the debt stack
- **ALESC 13 A1** was upgraded from Aa1 to Aaa
- **ALESC 13 A2** was upgraded from Aa3 to Aa1
- **ALESC 13 B** was upgraded from Ba2 to Ba1

Cash-on-Cash: HOF's cash-on-cash for the quarter was around 11%, mostly due to interest-related cashflows.




**C. Value of the Option**

Auction Calls/Optional Redemptions/Securitizations: We did not track any auction calls, optional redemptions or securitizations over the quarter.

Event of Default & Cures: Hildene tracked a small TruPS CDO event of default liquidation, which did not trade in secondary markets. We did not track any cures over the quarter.

## Portfolio Deconstruction – Hildene Re

At the end of 2Q24, the reinsurance investment accounts had a book value of approximately $2.5 billion and a weighted-average book yield of 9.3% against an expected cost of funds of 6.4%. We continue to deploy this capital in line with NAIC ratings guidelines, mainly purchasing investment-grade securities that offer attractive yields for the rating.

## Portfolio Deconstruction – Warehouse & Single Name TruPS

Hildene's single-name financials strategy involves: (a) warehousing and subsequently securitizing a portfolio of performing single name TruPS and other financials debt securities; and (b) investing in debt or common stock of distressed companies where we expect to achieve a recovery above market expectations. While this quarter did not see any meaningful activity, we remain vigilant in finding discounted TruPS to warehouse for future securitizations.

*Cash-on-cash excludes Hildene Re equity, which is accreting as opposed to cash flowing

## HOF Update

As previously communicated, Hildene Insurance Holdings, LLC (HIH), a new holding company vehicle, has been launched effective 7/1/24. All HOF investors were given the opportunity to transfer a portion or all of their shares into HIH, which has purchased the insurance-related investments from HOF. We are pleased to report that approximately 1/3 of investors opted into the exchange opportunity with the remainder staying back in HOF, putting the net asset value of the fund at approximately $456mm. The pro-forma portfolio gives exposure to lower priced TruPS CDO tranches along with a small allocation to distressed single name TruPS. Hildene continues to be constructive on the opportunity set within the HOF portfolio, which we believe offers credit upside, convexity and high total return potential. Below you will find an analysis of the anticipated HOF portfolio as of 7/1/24:

| Asset Class | Allocation | WAVG Price | WAVG Cash-on-Cash | Bull* | Base* | Stress* |
|---|---|---|---|---|---|---|
| Hildene Issued New Issue CDO Equity | 21% | 73.6 | 13% | 18% | 15% | 8% |
| Legacy CDO Mezz Repack | 30% | 48.7 | 13% | 16% | 15% | 12% |
| Legacy CDO Equity | 5% | 9.9 | 6% | 20% | 19% | 15% |
| Legacy CDO Mezz | 41% | 27.5 | 10% | 22% | 20% | 10% |
| Distressed Single Name | 1% | 2.5 | 0% | 43% | 22% | -4% |
| **Total** | **100%** | **42.5** | **11%** | **19%** | **17%** | **10%** |

*The following assumptions are used in the above scenario analysis: The ‘Bull’ scenario assumes a backloaded CPR curve as banks begin to lose regulatory capital treatment on their TruPS 5 years prior to maturity, and partial recovery on certain failed names in 2 years; the ‘Base’ scenario assumes that same backloaded CPR curve with no additional recovery on failed names; the ‘Stress’ scenario assumes a 0 CPR for the life and a GFC-level loss scenario over 8 years.

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2. The performance represented herein for HOF is that which would be experienced by a hypothetical investor who invested at the inception of the relevant feeder fund vehicle. As of May 1, 2020, HOF was restructured into a longer-term share class (the "LT Class") and a shorter-term share class (the "ST Class"). Performance reflects that of an investor in the LT Class, and excludes investments held in side pocket accounts on behalf of participating investors, which may be materially different from the performance an investor would achieve in the ST Class. Performance data is annualized for periods greater than one year. Prior to May 1, 2020, performance is net of an assumed 2.0% management fee and an assumed 20% incentive fee; as of May 1, 2020, performance is net of an assumed 1.8% management fee and an assumed 20% incentive fee. Performance is also net of fund expenses and presumes reinvestment of income. The Sharpe ratio presented assumes a 5.19% risk-free rate. **Past performance is not indicative of future results.** There can be no assurance and no representation is made that HOF will make any profit, and a total loss of principal may occur. Performance is subject to market and economic conditions, and the past performance of HOF for the periods shown are a result of such conditions; the information is historic and does not reflect HOF's performance in all different economic cycles. The performance shown was generated with the investment philosophy and methodology described in HOF's offering documents, but future investments may be made under different economic conditions and in different securities. The use of differing performance calculation methodologies may produce different results, and the performance information contained herein for HOF may not be comparable to the performance information provided by other funds or managers. Hildene manages other funds and accounts besides HOF. The performance information contained herein is not a composite of all accounts managed by Hildene. Other accounts managed by Hildene may or may not invest in similar instruments as the accounts referenced herein and may or may not have similar performance results. Performance information for those other accounts and the ST Class may be made available by Hildene upon request. The contents of this commentary include forward-looking statements. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this presentation are based upon what Hildene believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Hildene undertakes no obligation to update forward-looking statements if circumstances or Hildene's estimates or opinions should change except as required by applicable securities laws.

3. Current allocations are based on long market value. Cash is presented gross of current month redemptions payable. The data reflected excludes investments held in side pocket accounts on behalf of participating investors.

4. The contents of this presentation include forward-looking statements. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this presentation are based upon what Hildene believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Hildene undertakes no obligation to update forward-looking statements if circumstances or Hildene's estimates or opinions should change except as required by applicable securities laws.