

FHipo: Initiation of Coverage

The first and only public mortgage trust in Mexico

FHIPO 14	HOLD
Target Price (MXN\$)	\$ 24.00
Current Price (MXN\$)	\$ 19.66
Min / Max (L12M)	\$ 17.88 - 21.85
Expected Dividend (MXN\$)	\$ 1.68
Expected Return	22.1%
Market Cap (MXN\$ Mn)	7,577
CBFI's Outstanding (Mn)	385.4
Float	100.0%
6-month ADTV (MXN\$ Mn)	\$ 1.8



INVESTMENT THESIS

We are initiating coverage on FHipo (BIVA: FHIPO 14), the first and only public mortgage trust in Mexico, with a HOLD recommendation and a MXN\$24.00/CBFI target price.

Attractive business model. FHipo dedicates itself to the acquisition of mortgage portfolios and the co-origination of mortgage loans. We expect it to benefit from an increased penetration of mortgage financing in the future.

Originators. FHipo has historically originated mortgage loans through INFONAVIT and FOVISSSTE, which are the country's main generators of mortgage loans. In addition, FHipo has a strategic alliance with YAVE, a private mortgage company.

Focus on yield and dividends. FHipo distributes up to 95% of its net profits. We estimate that the 2022 distributions will have an attractive yield of around 8.6% against the current market price.

Diversified funding sources. FHipo has access to various types of financing including bank lines, short-term bonds and securitizations. It can acquire mortgage portfolios at any time, taking advantage of this broad access to the debt markets, as long as interest rates are attractive.

Buybacks of CBFIs. FHipo launched a buy-back reserve in 2017, through which it can allocate an annual amount from time to time, as long as market conditions and the price of the CBFIs are appropriate and contribute to creating shareholder value.

May 26th, 2022

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Strong corporate governance. Since the beginning of 2020, FHipo is managed internally by CH Asset Management, S.A.P.I de C.V. ("CH Asset Management" and/or "CH") which is a subsidiary of FHipo. It also has a Technical Committee with 5 independent members (out of 8) which are appointed by the Holders' Assembly, and Audit, Practices, and Nominations Committees, which include three independent members of the Technical Committee.

Management team with a well-known track record. CH Asset Management, Fhipo's Advisor and Administrator, has top-level officials with ample expertise in the Mexican mortgage sector.

Valuation. FHipo's CBFIs are currently trading at an estimated P/E of 11.2x and at a P/VL of 0.8x. These multiples compare to the averages of 7.1x and 0.9x, respectively, of international comparables. Although FHipo's dividend yield is similar (L12M of 9.9% vs. 10.5%) than the average of its peers, the ROE is lower (8.1% vs. 10.1%). This means that FHipo's CBFIs are fairly valued at current levels, hence our neutral point of view.

Target price. We set a MXN\$24.00/CBFI target price using a Gordon Shapiro model that includes a 10.5% cost of equity (with a Beta of 0.326) and a 0.5% perpetuity growth rate in nominal terms. The target multiples are 13.8x in terms of estimated P/E and 0.9x in terms of P/BV, which seem reasonable to us.

Main Risks. These include: i) macroeconomic volatility; ii) change in the terms of FHipo's existing credits; iii) lack of growth through acquisitions of new portfolios; iv) changes in FHipo's management team; and/or v) medium liquidity of the certificates.

FHIPO’S MAIN ADVANTAGES

Attractive business model

FHipo dedicates itself to the acquisition and origination of mortgage loans in conjunction with INFONAVIT and FOVISSSTE, and also has an alliance with YAVE through which it participates as co-originator of mortgage credits granted by these institutions. It finances itself through bank lines, short and long-term bonds and/or securitizations to carry out such acquisitions of mortgage portfolios. It is the first and only public mortgage trust in Mexico.

Historical origination

FHipo has historically originated mortgage loans through INFONAVIT, FOVISSSTE and YAVE, which has allowed it to acquire mortgage portfolio under similar conditions than larger banking institutions. FHipo has been able to maintain relationships with INFONAVIT and FOVISSSTE during various administrations.

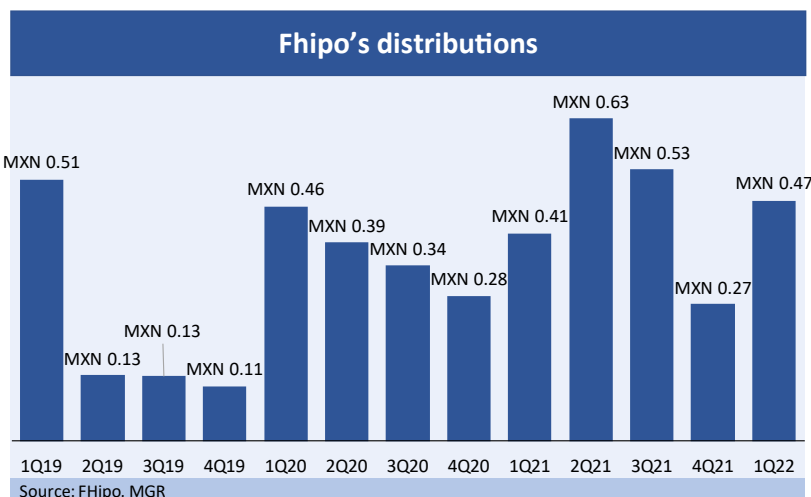
FHipo has participated in several INFONAVIT mortgage auctions through which it became co-originator of mortgages granted by this institution under the Infonavit Más Crédito and Infonavit Total programs. As part of this alliance, INFONAVIT acts as a collection agent for FHipo and charges an administration fee of 0.7512% plus the corresponding VAT, on the amount due.

In September 2016, FHipo acquired trustee rights on 7,144 FOVISSSTE credits, paying nearly MXN\$3.0 billion, equivalent to the balance of the trustee rights over such credits.

FHipo has a contract with YAVE, through which it has the irrevocable right to acquire all amounts corresponding to the collection rights of YAVE’s mortgage loans and ceded to FHipo, provided that they comply with Fhipo’s Investment Guidelines.

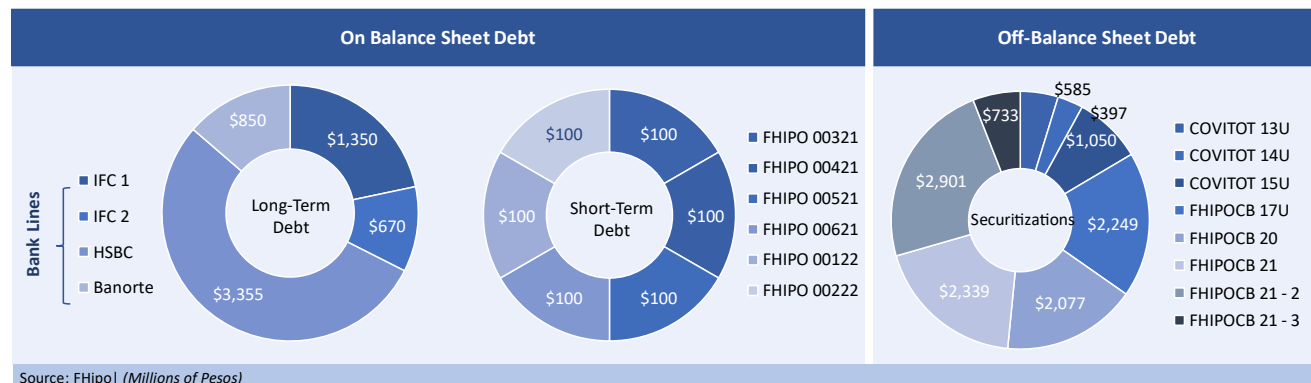
Focus on profitability and dividends

FHipo makes quarterly cash distributions of up to 95% of its net profits for the corresponding period, less, where appropriate, the amount of repurchases. Any distribution must be greater than 30% of quarterly net profits. The distributions have yielded 7.6% on average since 1Q18. We estimate that the distribution yield will be 8.6% in 2022, compared to the current market price of the CBFIs.



Diversified funding sources

FHipo has access to various types of financing, including bank lines, short-term bonds, and securitizations. It can acquire mortgage portfolios at any time, taking advantage of this ample access to the debt markets, provided that conditions allow it to continue creating value for CBFIs holders.



Buy-backs

Since 2017, FHipo has repurchased and cancelled 134,134,741 CBFIs. As a result, the trust has 385,380,259 CFBI's outstanding as of the date of this report.

Internally managed / Solid corporate governance

On March 23th, 2020, FHipo completed the internalization of its administration. As a result, CH Asset Management, S.A.P.I. de C.V., a Fhipo subsidiary, became the sole internal Advisor and Administrator for FHipo. CH Asset Management's costs and expenses budget has to be approved annually by the FHipo Technical Committee.

FHipo's Technical Committee includes 8 members, of which 5 (62.5%) are independent members appointed by the Holders Meeting and 3 are internal members, thus meeting the Securities Market Law requirement that at least 25% of members have to be independent. In addition, the Trust has Audit, Practice and Nomination Committees, which are composed of independent Technical Committee members and, by statute, must always be controlled by a majority of independent members.

Technical Committee Members				
Name	Age	Position	Alternates	Age
José de Jesús Gómez Dorantes	52	Internal Member	Rene Pineda Roa	43
Daniel Michael Braatz Zamudio	38		Ignacio Gutiérrez Sainz	34
Alfredo Vara Alonso	53		José de Jesús Gómez Dorantes	52
Sebastián Fernández Cortina	51	Independent Member	Tulio Vázquez López	47
Daniel Reséndiz Carrillo	59		Julio César Méndez Rubio	64
José Vicente Corta Fernández	57		José Ignacio Segura Alonso	41
Ana Cecilia González Hernández	50		No alternate	
Daniel Ribenboim Simon	40		Jonathan Myles Rosenthal	41

Source: FHipo

Management with a solid track record

CH Asset Management, Fhipo’s Advisor and Administrator, has top-level executives with an extensive expertise in the Mexican mortgage sector. The main officials are:

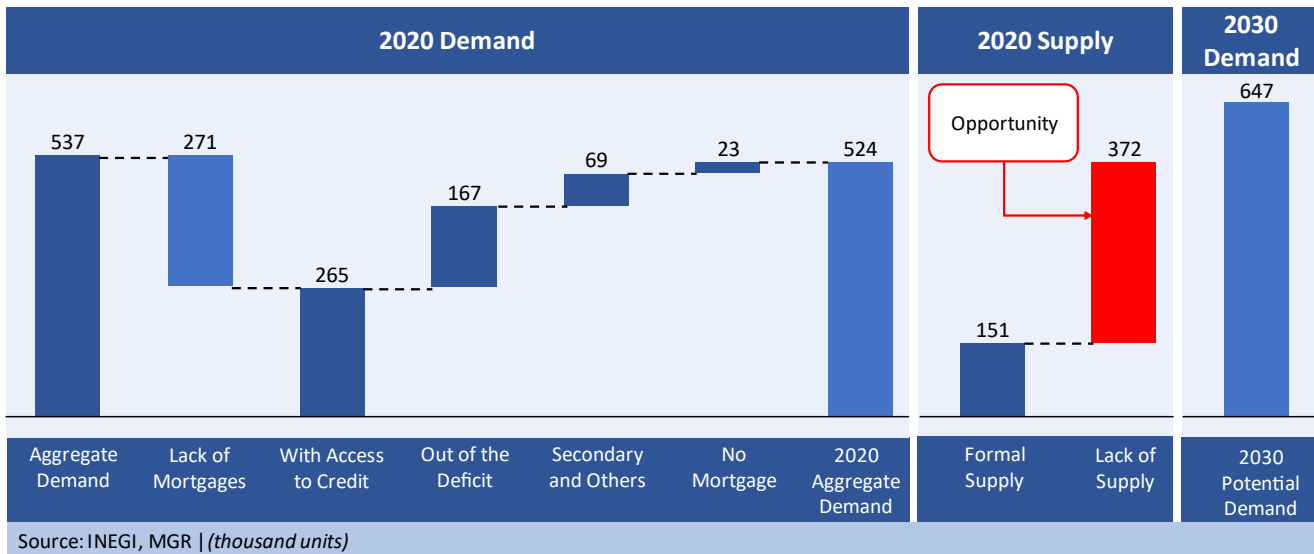
- Daniel Michael Braatz Zamudio, CEO.** Daniel Braatz worked at Citigroup's Investment Banking Division. He is a founding member of Vace Partners, a Mexican boutique investment banking firm. He previously served as CH's Chief Financial Officer and currently is CH's CEO. He graduated from the Instituto Tecnológico Autónomo de México (ITAM) as an industrial engineer. He is a member of the ITAM Financial Association, member of the Mexican Institute of Finance Executives (IMEF) and was a member of INFONAVIT’s Audit Committee.
- Ignacio Gutiérrez Sainz, CFO.** He worked as an investment banker at a boutique investment bank with a team of more than 20 years of experience and an impressive track record of conducting mergers and acquisitions, debt structuring and capital raising transactions carried out by companies in the United States, Mexico and Latin America, in a wide variety of sectors. He was the Director of Business Development at CH Asset Management until 2017, and currently is the CFO of CH Asset Management. He holds an industrial engineer degree from the Universidad Iberoamericana.
- José de Jesús Gómez Dorantes, Director of Operations of CH.** He held several management positions at Grupo Financiero BBVA Bancomer (GFBB) including Director of Investor Relations, Deputy Director of Financial Projects, and Deputy Director of Strategic Planning for Mortgage Banking. Since 2002, he was INFONAVIT’s Deputy CEO of Portfolio Management, Deputy CEO of Planning and Finance, Coordinator of the Cedevis Program and Planning Coordinator. He also participated in the development of the Infonavit Total program. He studied Industrial and Systems Engineering at the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He subsequently obtained a Master of Management from A.B. Freeman School of Business at Tulane University.
- Patricia Montiel, General Counsel.** She was Coordinator of Advisors at Banobras S.N.C. from March 2017 to the end of 2018. She also served as Legal Director of CH Asset Management from the beginning of operations until March 2017. Previously, Patricia Montiel was a partner at Montiel Font y Asociados,

S.C., as well as a law firm specialized in corporate and financial law called Casares, Castelazo, Frías y Zárate, S.C. (Casares Castelazo) and worked at the “Instituto de Protección al Ahorro Bancario (IPAB)”, in the Secretariat for the Protection of Bank Savings, from 1999 to 2006. She has significant expertise in administration and sale of credit portfolios at various financial institutions. Patricia Montiel obtained a Law Degree from the Universidad Iberoamericana and a Master's Degree in Humanities from the Universidad Anáhuac México Norte.

THE MEXICAN HOUSING MARKET

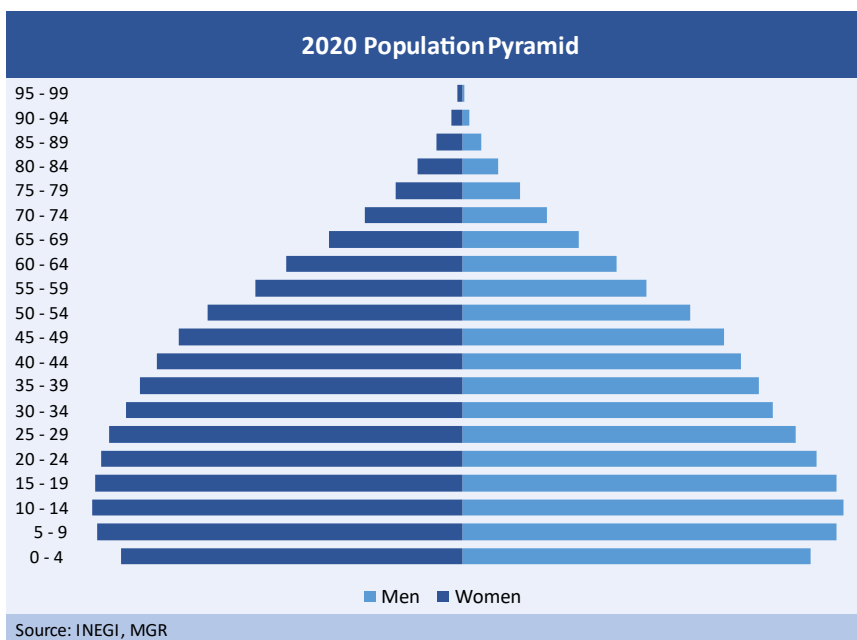
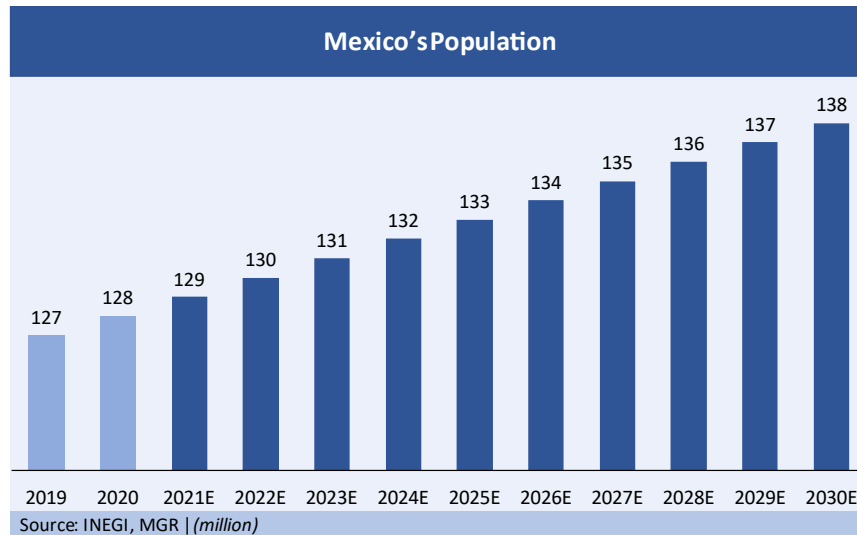
The Mexican housing market offers significant long-term growth potential since there is an estimated deficit of more than 9.4 million homes, according to SEDATU figures at the end of 2020. During that year, around 537,000 new families were created. However, only 265,000 of them had access to a mortgage. On the other hand, only 151,000 homes were offered in the country, increasing the deficit by 372,000 houses.

We estimate that around 647,000 homes will be needed annually until 2030 mainly due to the creation of new families given the population growth of approximately 1 million inhabitants per year. However, we estimate that only 56% of new households, equivalent to 325,000 per year, will have access to mortgage credit and that the remaining 44% will not, which will increase the housing deficit. In other words, the housing deficit is unlikely to shrink for the foreseeable future, if there is no increased supply of housing credit.



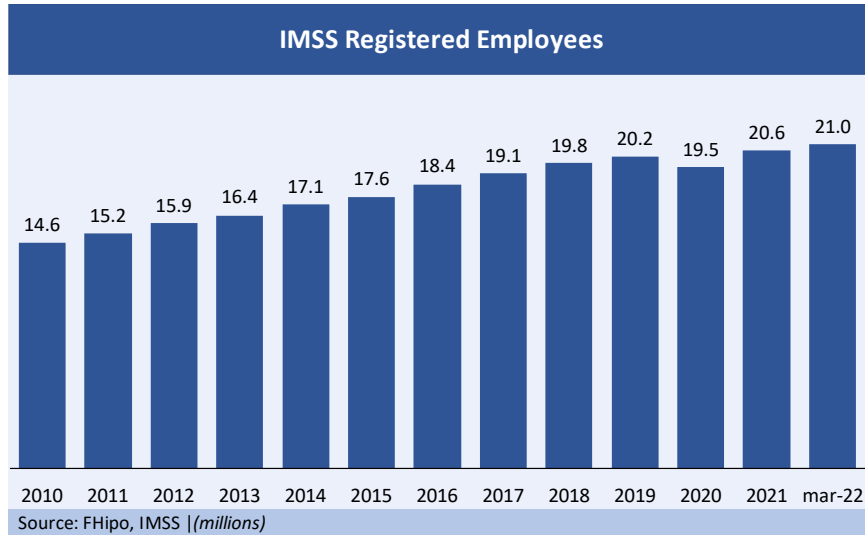
High population growth

The expected population growth and the structure of the population pyramid supports the household formation and, therefore, the demand for housing, in the medium and long term. The country has an unparalleled demographic opportunity, due to its population’s youth.



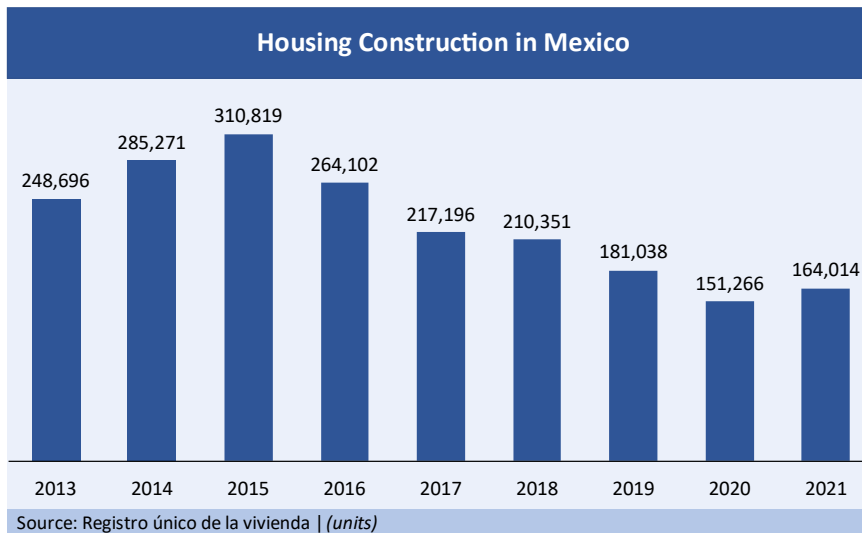
Labor market on the rise after the pandemic

IMSS insured persons increased from 13.9 million in 2009 to 20.2 million in 2019, with an average 3.8% annual rise, which was above the population growth. In 2020, the number of insured persons decreased to 19.5 million due to the COVID-19 pandemic. However, in 2021 it rose by more than one million due to stronger macroeconomic conditions and a lower pandemic impact, reaching 21.0 million in March 2022, which is the most recent figure. We believe that the growth in the number of IMSS affiliates will drive the demand for social housing in the future.



Mexico’s low housing production

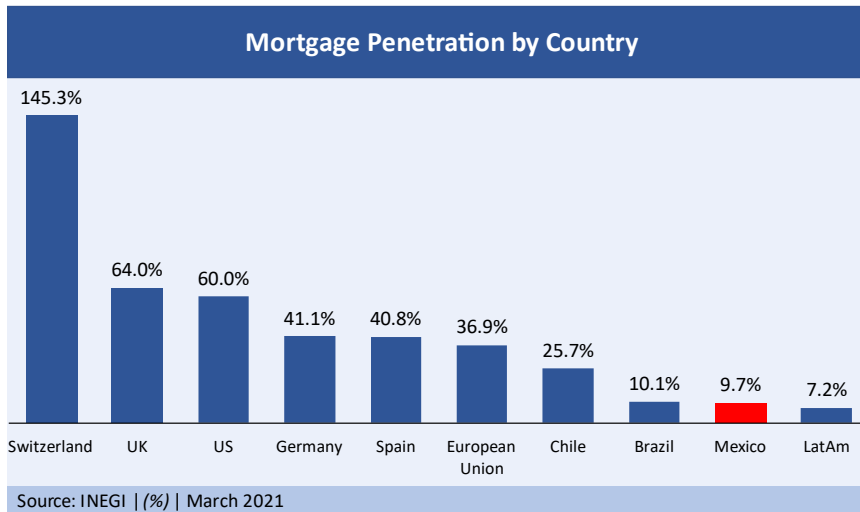
The supply of housing has decreased significantly since 2008. New homes built went down from 617,000 that year, to only 151,000 during 2020, according to Mexico’s National Housing Registry. Construction financing was affected in 2008 by the US *subprime* crisis and the financial problems of three Mexican public housing developers in 2013. However, in 2021 the supply rebounded reaching 164,000 homes.



MORTGAGE FINANCING IN MEXICO

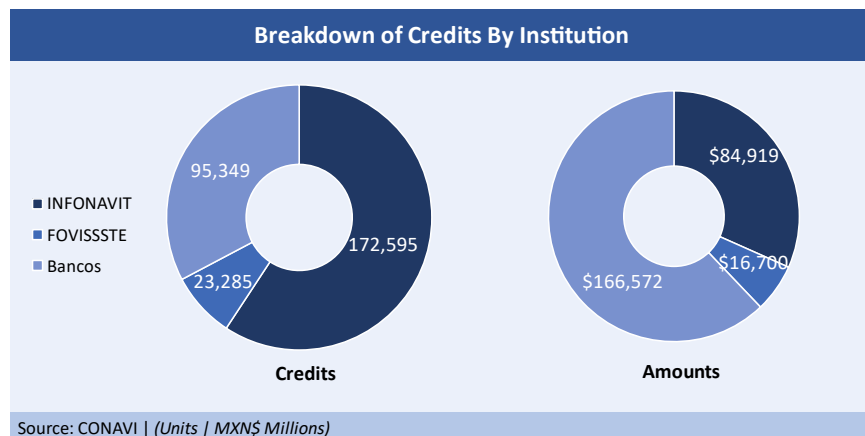
Low penetration of mortgage credit

The penetration of mortgage financing in Mexico is below that of similar countries such as Chile, Panama and Costa Rica. This means that there is significant growth potential, which will be supported by INFONAVIT's goal to grant more credits in the next 5 years.

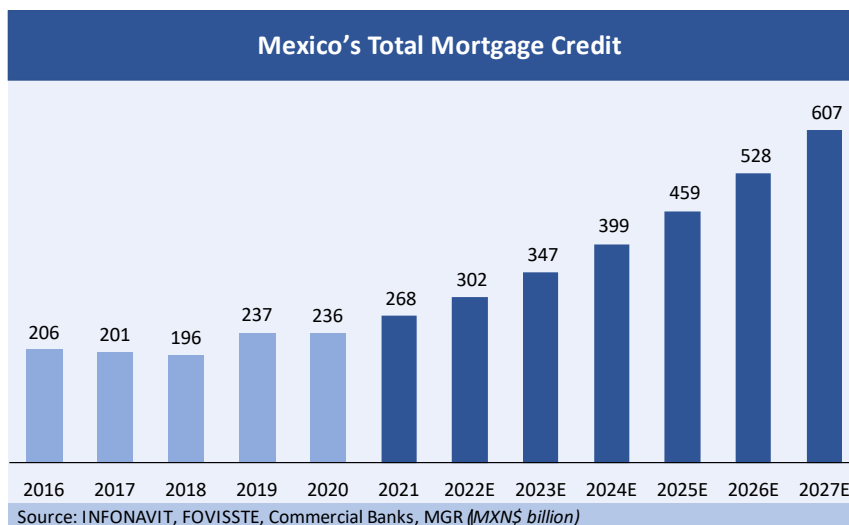


Housing financing

INFONAVIT is Mexico’s main social housing financing entity since it granted 172,595 thousand mortgages for new homes in 2021, followed by commercial banks with 95,349 loans and FOVISSSTE with 23,285.



We expect housing demand to be supported by an increased financing from INFONAVIT, FOVISSTE and commercial banks in the future. We estimate that these entities’ total funding will reach MXN\$607 billion in 2027, with a 14.6% average annual growth against 2021.



Changes in the INFONAVIT / Outsourcing reform

On June 14th, 2021, INFONAVIT announced a reduction in the interest rates of its mortgage loans to a range between 1.91% and 10.45%, depending on the workers’ wage level.

In 2021, INFONAVIT also implemented a new "T1000" scoring system, which includes additional variables that do not depend on the beneficiaries, such as stability at work. This change, together with "outsourcing" reform affected the demand for housing. However, we believe the impact will be temporary given the continued job creation and the INFONAVIT’s interest rate cuts that we mentioned earlier.

On August 12th, 2021, INFONAVIT’s board approved new rules for granting mortgage loans, which were implemented in March this year. They will apply to all homes guarantee an INFONAVIT credit. They will have to be located near the sources of work, health, education, supply and recreational centers, and will require adequate mobility options. They will not apply on homes that have a Single Technical Opinion (DTU), a paid verification order and / or that are registered in the Single Housing Registry (RUV) prior to September 2021.

FHIPO’s OUTLOOK

Portfolio / Asset Quality. We are assuming that FHipo will acquire new mortgage portfolios due to high funding interest rates. This means that its net on-balance portfolio of MXN\$10,972 million at the end of 1Q22 will gradually mature, to MXN\$8,199 million in 2027, which will represent a 5.0% average annual fall. We estimate that the consolidated portfolio, which considers on and off-balance sheet mortgages, will decline 4.4% on average per year, from MXN\$26,772 million currently, to MXN\$20,706 million at the end of 2027. Such performance could change if FHipo acquires mortgage portfolios from the INFONAVIT, FOVISSTE or YAVE, which will depend on available funding and interest rates.

We anticipate that the NPL ratio of the consolidated portfolio will gradually increase from 5.8% at the end of 1Q22, to 7.6% in 2027 as a result of an accounting effect since the portfolio will gradually mature, as mentioned above, while the amount of NPL's will rise progressively.

Financial margin. We anticipate that interest gains will fall 7.9% on average per year during the 2022-2027 period, due to the gradual maturity of the portfolio. This will be offset by lower interests paid as we believe that FHipo will proportionately reduce its on-balance sheet debt. This will help it maintain a stable financial margin at around MXN\$715-735 million over the next few years.

Provisions/Adjusted financial margin. We expect provisions to be phased out over the next few years as a result of an improved macroeconomic environment and increased portfolio *seasoning*, which will contribute to improving the borrower's risk profile. This will boost the adjusted financial margin slightly from MXN\$631 million in 2022 to MXN\$665 million in 2027.

The valuation of receivable securitization benefits will fall from MXN\$355 million in 2022 to MXN\$318 million in 2027 due to the natural portfolio maturation. We believe that FHipo will not carry out new portfolio securitizations in the projected period (2022-2027).

Expenses. We expect administrative expenses to rise in line with inflation. These are made up of administrator fees and other administrative expenses. Worth mentioning that a large part of the expenses correspond to commissions paid to INFONAVIT and FOVISSSTE, which represent a percentage of the portfolio balance, therefore they vary proportionally.

Net profits. The aforementioned factors will translate into net profits of MXN\$677 million in 2022, which will likely decrease to MXN\$632 million in 2027.

Distributions. Based on these assumptions, we expect distributions of MXN\$643 million (MXN\$1.68/CBFI) in 2022, which should fall to MXN\$600 million (MXN\$1.59/CBFI) in 2027. They will represent 95% of net income given FHipo's distribution policy. The dividend yield will initially be 8.6% based on the current market price of the certificates.

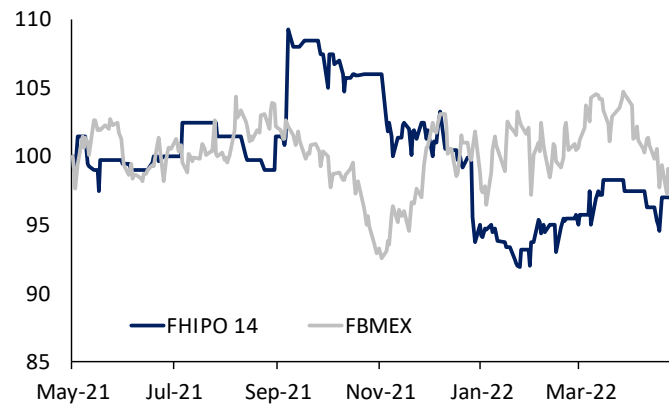
Financial structure. We expect FHipo's financial structure to improve each year as a result of the debt reductions we expect the trust to carry out. On-balance leverage will fall from the 1.7x currently to 1.4x in 2027, while the debt-to-equity ratio will drop from 0.7x to 0.4x. Worth mentioning that the regulatory limits are: i) assets / equity below 5.0x; and, ii) debt service coverage ratio greater than 2.5x.

VALUATION

Performance vs. FBMEEX

FHipo's CBFIs have performed practically in line with the Mexican Fibra sector's FBMEEX index. Although FHipo is not a FIBRA, it has similar characteristics to them such as its dividend policy (which is not mandatory in the case of FHipo) and its participation in the Mexican real estate market. We expect FHipo's CBFIs to continue performing in line with the FBMEEX in the future.

FHIPO 14 vs. FBMEX



Source: Bloomberg

International Comps

FHipo's CBFIs are currently trading at an estimated P/E of 11.2x and at a P/VL of 0.8x. These multiples compare against the averages of 7.1x and 0.9x, of international counterparts. Although FHipo's dividend yield is similar (L12M of 9.9% vs. 10.5%) than the average of its counterparts, the ROE is lower (8.1% vs. 10.1%). This means that FHipo's CBFIs are fairly valued at current levels, hence our neutral point of view.

Valuation Table - Mortgage Reits

	Country	Price (USD) 25-May-22	Mkt Cap. (USD Mn)	L12M	P/E 2022E	2023E	P/BV Current	ROE	Δ% Net Profit 2022E	2023E	Div. Yield
Fideicomiso Hipotecario	Mexico	\$ 0.97	395	9.2x	11.2x	11.5x	0.8	8.1	-11%	-3%	9.9
Annaly Capital Management Inc	U.S.	\$ 6.38	9,959	3.7x	4.8x	7.0x	0.9	22.8	-13%	-32%	13.8
AGNC Investment Corp	U.S.	\$ 11.88	6,218	(7.1x)	5.0x	5.8x	0.7	(11.3)	-1130%	-15%	12.1
Starwood Property Trust Inc	U.S.	\$ 23.33	7,160	10.8x	9.6x	9.9x	1.0	12.3	66%	-3%	8.2
Blackstone Mortgage Trust Inc	U.S.	\$ 30.49	5,192	11.8x	11.9x	10.9x	1.1	10.3	4%	9%	8.1
New Residential Investment Corp	U.S.	\$ 10.85	5,065	4.3x	7.2x	6.6x	0.7	20.7	-9%	10%	9.2
Hannon Armstrong Sustainable Infrastructure Capital	U.S.	\$ 37.92	3,296	27.3x	18.8x	16.3x	2.0	8.4	38%	15%	4.0
Chimera Investment Corp	U.S.	\$ 9.44	2,238	9.0x	6.9x	6.6x	0.7	7.0	-52%	5%	14.0
Arbor Realty Trust Inc	U.S.	\$ 16.11	2,864	8.4x	9.8x	8.8x	1.0	15.6	-14%	11%	9.4
Claros Mortgage Trsust Fund	U.S.	\$ 20.38	2,846	16.7x	14.5x	11.8x	1.1	n.a.	n.a.	23%	7.3
MFA Financial Inc	U.S.	\$ 13.23	1,355	8.4x	7.7x	5.5x	0.6	5.8	-47%	39%	14.2
Two Harbors Investment Corp	U.S.	\$ 5.13	1,765	7.6x	4.2x	6.0x	0.7	9.1	123%	-30%	13.3
AG Mortgage Investment Trust	U.S.	\$ 7.89	189	4.0x	10.5x	5.9x	0.3	10.9	-83%	77%	10.6
Total /Average			48,542	9.0x	7.1x	7.9x	0.9	10.1	2%	-10%	10.5

Source: Bloomberg; n.a.: not available

Gordon Shapiro Model

We set a MXN\$24.00/CBFI target price using a Gordon Shapiro model that includes a 10.5% cost of equity (which in turn includes a Beta of 0.326) and a growth rate in perpetuity of 0.5% in nominal terms.

Gordon Shapiro Model

(Figures in MXN\$ MN)

Stockholder's Equity 2022E	9,738
LT ROE	9.8%
Cost of Equity	10.5%
Risk Free Rate	8.5%
Market Risk Premium	6.0%
Beta	0.326
Perpetuity Growth Rate	0.5%
Equity Value	9,067
Outstanding CBFI's	378
Target price per CBFI	\$ 24.00
Current Price	\$ 19.66
Expected Dividend	\$ 1.68
Total Return	22.1%
Target P/BV	0.9x
Target P/E	13.8x

Sensitivity Analysis

We conducted a sensitivity analysis of our target price for FHipo's CBFI's depending on various levels of book capital, projected net profits and multiples. Our MXN\$24.00/CBFI target price implies that FHipo's certificates will trade at a P/VL of 0.9x and an estimated P/E of 13.8x.

Sensitivity Analysis of the Target Price, P/BV vs. Book Value

	-10%	-5%	Original	+5%	+10%
St. Equity	8,789	9,251	9,738	10,225	10,736
Target P/BV					
0.4x	10.03	10.56	11.11	11.67	12.25
0.9x	21.66	22.80	24.00	25.20	26.47
1.4x	33.30	35.05	36.90	38.74	40.68
1.9x	44.93	47.30	49.79	52.28	54.89
2.4x	56.57	59.54	62.68	65.81	69.10

Source: Miranda Global Research

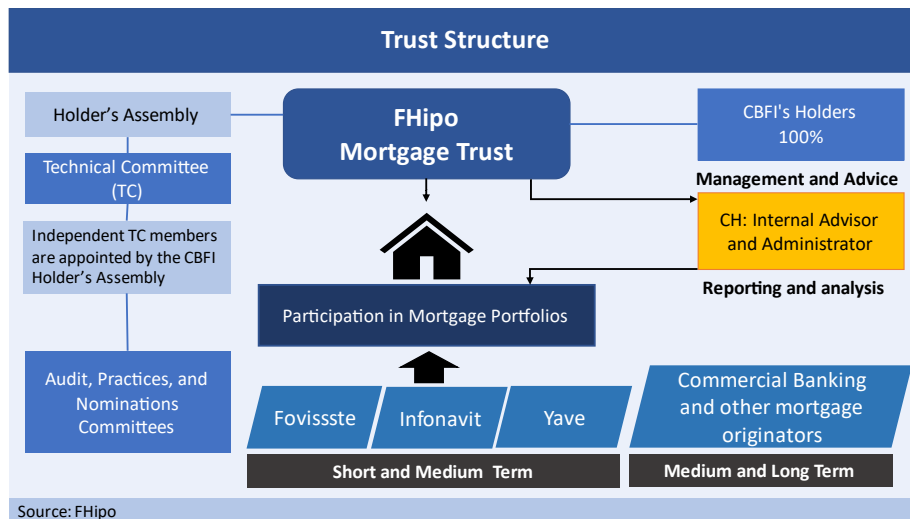
Sensitivity Analysis of the Target Price, P/E vs. Net Profit

	-10%	-5%	Original	+5%	+10%
Projected Net Profit	592	623	656	689	723
Target P/E					
10.8x	16.96	17.85	18.79	19.73	20.72
11.8x	18.53	19.50	20.53	21.56	22.64
12.8x	20.10	21.15	22.27	23.38	24.55
13.8x	21.66	22.80	24.00	25.20	26.47
14.8x	23.23	24.45	25.74	27.03	28.38
15.8x	24.80	26.10	27.48	28.85	30.30

Source: Miranda Global Research

DESCRIPTION

FHipo is the only public mortgage trust in Mexico. It co-participates in mortgage loans through INFONAVIT, FOVISSSTE and YAVE, which allows it to originate mortgage loans in conjunction with these institutions.



Source: FHipo

As of 1Q22, FHipo's consolidated portfolio (considering securitized loans) included 91,470 mortgage loans co-originated with INFONAVIT, FOVISSSTE and YAVE, under the Infonavit Total, Infonavit Total 3.5x, Infonavit Más Crédito, Fovissste Tradicional and YAVE programs. The consolidated mortgage portfolio amounted to MXN\$26,772 million, of which 42% is on balance, while the remaining 58% is securitized and, therefore, off balance.

Consolidated Portfolio (MXN\$ Mn)	1Q22	1Q21	Change
Total (Fhipo's Participation)	26,772	28,060	-4.59%
Total Number of Loans	91,470	98,183	-6.84%
Average Co-Participed Loan Balance by Mortgage Loan	292,691	285,791	2.41%
Average Loan-to-Value at Origination	77.90%	77.79%	0.11%
Payment-to-Income to Origination	24.29%	24.27%	0.02%
Current Portfolio	94.20%	95.07%	-0.87%
NPL Over Portfolio Balance at Origination	4.96%	4.29%	0.67%
By Origination Program	1Q22	1Q21	Change
Infonavit Total (IT)			
Portfolio Balance IT (Minimum Salaries and Pesos)	9,310	10,655	-12.62%
Portfolio Balance - IT Minimum Salaries	4,277	5,082	-15.84%
Average Interest Rate (Real) - IT Minimum Salaries	9.46%	9.48%	-0.02%
Portfolio Balance - IT Pesos	5,033	5,573	-9.69%
Average Interest Rate (Nominal) - IT Pesos	12.00%	12.00%	0.00%
Infonavit Más Crédito (IMC)			
Portfolio Balance	14,087	14,345	-1.80%
Average Interest Rate (Nominal)	11.11%	11.04%	0.07%
Fovissste			
Portfolio Balance	2,584	2,617	-1.26%
Average Interest Rate (Real)	5.35%	5.35%	0.00%
YAVE			
Portfolio Balance	791	443	78.56%
Average Interest Rate (Nominal)	12.48%	14.40%	-1.92%

Source: Fhipo

Collection of mortgage loans originated under INFONAVIT and FOVISSSTE programs is done through direct payroll discount. Collection of mortgage loans originated through YAVE is mainly through direct debit payments.

FHipo maintains a diversified mortgage loan portfolio distributed in Mexico's 32 states. The State of Mexico, Nuevo León and Jalisco are the states with the highest contribution, representing 12.8%, 11.2% and 6.7%, respectively, of total portfolio at the end of 1Q22.

Mortgage portfolio acquisitions

FHipo has carried out, among others, the following mortgage portfolio acquisitions:

- First acquisition of the mortgage portfolio on November 11th, 2014, through an assignment contract with INFONAVIT for an initial amount of MXN\$8 billion;

- On July 13th, 2015, FHipo participated for the first time in an auction of the "Infonavit Más Crédito" program. It was granted a MXN\$6 billion portfolio with a fixed interest rate of 10.8%;
- On June 3rd, 2016, FHipo acquired 7,144 FOVISSSTE credits for MXN\$3.0 billion;
- On May 18th, 2017, FHipo participated for the second time in the auction of the "Infonavit Más Crédito" program. It was granted a MXN\$6 billion portfolio at a fixed interest rate of 10.9%;
- On June 11th, 2019, FHipo participated for the third time in the auction of the "Infonavit Más Crédito" program. It was allocated a MXN\$2 billion portfolio at a fixed rate of 11.9%;

Securizations

In order to extend its maturity profile and improve its funding structure, FHipo has carried out several securitizations since it was founded. At the end of 1Q22, total securitizations amounted to MXN\$12,331 million, of which 35% have an inflation-linked interest rate and the remainder 65% have an interest rate in pesos. Receivable net profits of such securitizations amounted to MXN\$3,981 million at the end of 1Q22. All securitizations have had interesting initial guarantees, which has allowed FHipo to reduce the interest rate and lengthen the maturity profile considerably.

FHipo has carried out the following securitizations:

- CDVITOT 15U. In 2015, FHipo issued the CDVITOT 15U and CDVITOT 15-2U CBFIs in conjunction with INFONAVIT. The payment of principal and interests is backed by loans co-owned by FHipo and INFONAVIT. FHipo received MXN\$2,387.9 million for the preferential tranche and MXN\$214.2 million for the subordinate tranche. The former pays a real interest rate of 2.80%, while the latter pays a real interest rate of 4.12%. The CDVITOT 15U issuance is outstanding.
- CDVITOT 13U, 13-2U, 14U and 14-2U. In 2017, FHipo acquired two subordinated bonds for MXN\$877.0 million, which represented 34.4% and 48.3%, respectively, of INFONAVIT's CDVITOT 13U and CDVITOT 14U securitizations. The portfolio that supports such securitizations corresponds to credits originated under the Infonavit Total VSM program. The 13U and 14U issuances are outstanding.
- FHIPOCB 17U. On July 5th, 2017, FHipo structured a new asset class in the domestic market by incorporating portfolios from INFONAVIT and FOVISSSTE. It issued its first FHIPOCB 17U securitization amounting to MXN\$3,362.8 million with a real interest rate of 4.13%. The FHIPOCB 17U issue is outstanding and rated AAA.
- FHIPOCB 20. On December 15th, 2020, FHipo carried out the first FHIPOCB 20 securitization program, under a MXN\$10 billion program. This issue amounted to MXN\$2.5 billion and carried a fixed interest rate of 6.73% in pesos. The FHIPOCB 20 issue is outstanding and has a AAA rating.
- FHIPOCB 21. On June 4th, 2021, FHipo issued the second securitization FHIPOCB 21, under the MXN\$10 billion program. The trust issued MXN\$2.5 billion, with a fixed rate of 8.06% in pesos. The FHIPOCB 21 issue is outstanding and is rated AAA.

- FHIPOCB 21-2. On October 11th, 2021, FHipo carried out the third securitization (part of the MXN\$10 billion program) with ticker symbol FHIPOCB 21-2 amounting to MXN\$3 billion and a fixed rate of 8.96% in pesos. The FHIPOCB 21-2 issue is outstanding and has a AAA rating.
- FHIPOCB 21-3. On December 1st, 2021, FHipo carried out the fourth securitization (of the MXN\$10 billion program) with ticker symbol FHIPOCB 21-3 amounting to MXN\$750 million and a fixed rate of 8.37% in pesos. The FHIPOCB 21-3 issue is outstanding and has a AAA.

Securitizations distribute all the margin (net profit) to the holder of the constancy (FHipo). FHipo registers this profit within the Valuation of Receivable Benefits in Securitization Operations and, therefore, it distributes on the securitized portfolio.

Certificates Data

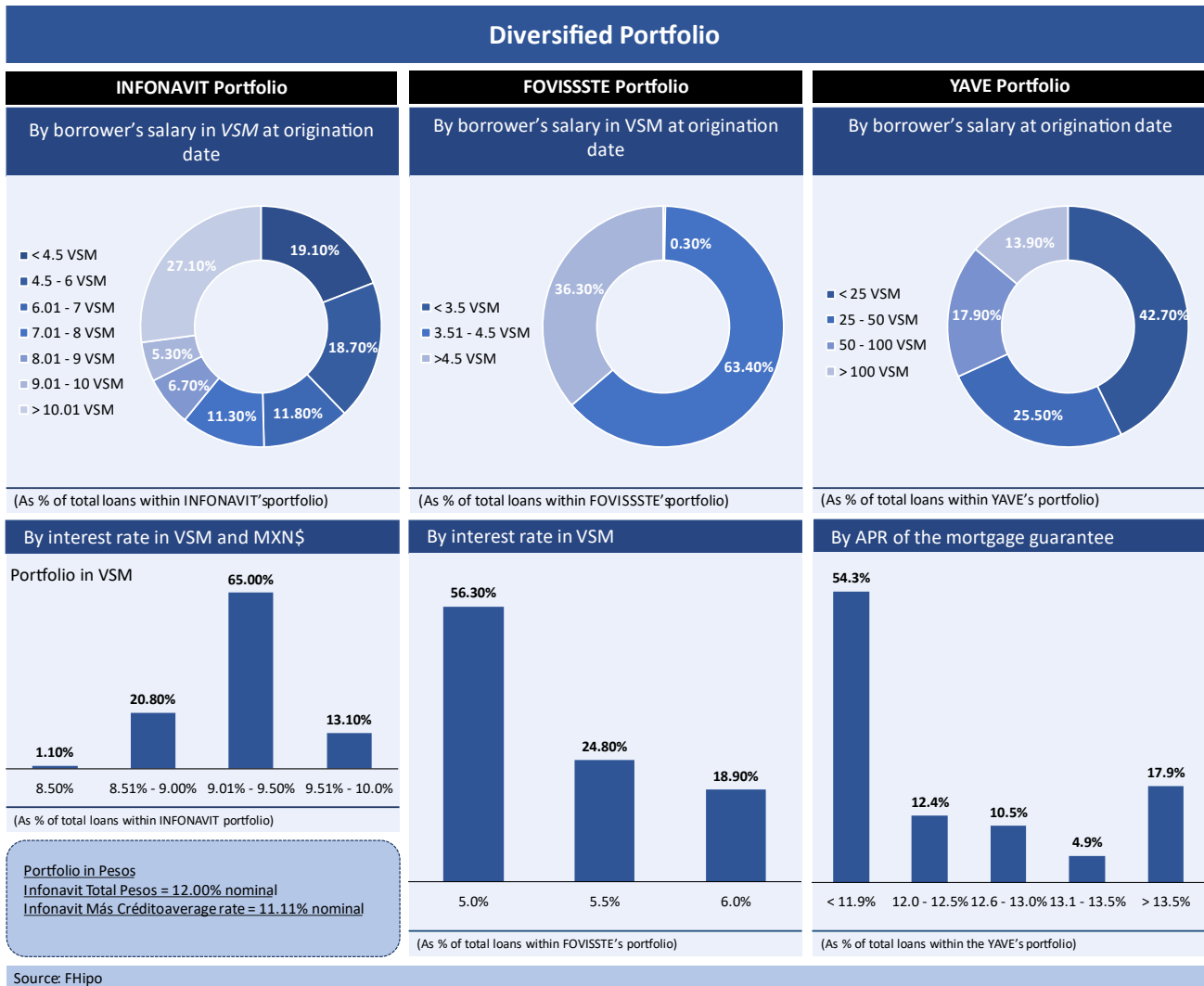
FHipo's IPO took place on November 4th, 2014. It issued 345 million CBFIs at MXN\$25.00 each. On April 19th, 2016, it conducted a subsequent public offering of 124 million CBFIs at MXN\$25.0/CBFI. On March 23, 2020, it carried out the internalization of its administration, giving the administrator 50 million CBFIs.

FHipo has repurchased 134,134,741 CBFIs since 2017, which have already been cancelled. Considering the above, the number of outstanding CBFIs is 385,380,259 as of the date of this report. The Float represents 100% of certificates.

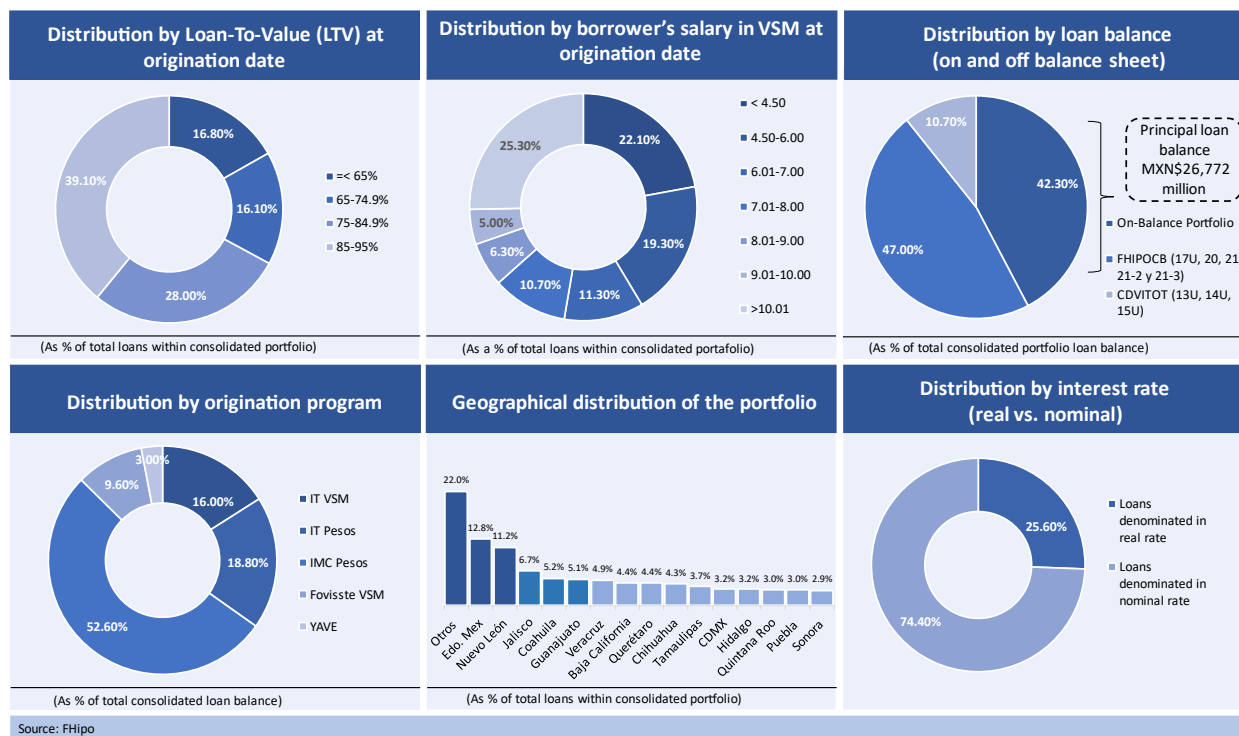
1Q22 RESULTS

Portfolio / Asset Quality

FHipo's consolidated portfolio (including securitizations) amounted to MXN\$26,772 million at the end of 1Q22, down 4.6% YoY, due to the maturity process. The NPL ratio of the consolidated portfolio was 5.80% in 1Q22, slightly higher than 5.30% in 4Q21 and 4.93% in 1Q21. The NPL ratio at origination stood at 4.96%, marginally higher than last year's 4.29% level.



Source: FHipo



Source: FHipo

Financial Margin / Provisions

Total interest gains decreased 36.8% YoY as a result of the gradual maturity of the loan portfolio and the securitizations that Fhipo carried out in 2020 and 2021. Interests paid fell by 48.2% YoY, due to the partial bank loan payments made with the amounts raised on the securitizations. The financial margin was down 24.9% YoY. However, it represented 58.2% of interest gains in 1Q22, compared to 49.0% in 1Q21. In addition, the NIM rose to 6.8% in 1Q22, from 4.9% in 1Q21.

Provisions fell 78.5% YoY due to a stronger macroeconomic activity that helped improve the borrower's risk profile. This led to a 6.3% YoY fall in the risk-adjusted financial margin.

The valuation of the receivable benefits on security transactions was up 7.5% YoY. It takes into account the fair value of fiduciary records with a net profit approach. The increase was mainly due to the recognition of the financial margin of the 2021 securitizations and the recognition of inflation in the securitization portfolio denominated in Minimum Wages. Total revenues contracted 2.0% YoY to MXN\$267.7 million.

Administrative expenses registered a 24.2% YoY fall. This translated into a 17.9% expense-to-gross revenue ratio in 1Q22, compared to 16.4% in 1Q21.

Net profits / Distribution

FHipo posted a MXN\$191.9 million net profit in 1Q22, up 10.1% YoY. ROE stood at 8.1%, up from 7.3% a year earlier. Net income per CBFi was MXN\$0.495, which resulted in an estimated distribution of MXN\$0.470 per CBFi, compared to MXN\$0.406 in 1Q21.

Book value by CBF

Total equity decreased marginally to MXN\$9,914.1 million. The book value per CBF was MXN\$25.57 at the end of 1Q22.

Financial structure

FHipo's leverage declined with an on-balance sheet debt-to-equity ratio of 0.7x at the end of 1Q22, from 1.3x in the same period last year. This was mainly due to the payment of credit lines and the scheduled amortization of long-term bonds with resources obtained from the 2021 securitizations which amounted to MXN\$6,250 million. On-balance sheet debt fell 46.0% due to the amortization of bonds and bank loans.

Funding Sources						
Funding Source	Type of Funding	Benchmark Rate	Margin	Maximum Amount	Amount Withdrawn	Legal Maturity
CDVITOT 13U	Securitizations	3.46% (real)	-	-	\$ 585	2041
CDVITOT 14U		2.49% (real)	-	-	\$ 397	2042
CDVITOT 15U		2.90% (real)	-	-	\$ 1,050	2043
FHIPOCB 17U		4.13% (real)	-	-	\$ 2,249	2047
FHIPOCB 20		6.73% (nominal)	-	-	\$ 2,077	2050
FHIPOCB 21		8.06% (nominal)	-	-	\$ 2,339	2051
FHIPOCB 21-2		8.96% (nominal)	-	-	\$ 2,901	2051
FHIPOCB 21-3		8.37% (nominal)	-	-	\$ 733	2051
FHIPO 00321		Short-Term Debt	28-day TIIE	+74 bps	-	\$100
FHIPO 00421	28-day TIIE		+71 bps	-	\$100	September 2022
FHIPO 00521	28-day TIIE		+60 bps	-	\$ 100	April 2022
FHIPO 00621	28-day TIIE		+65 bps	-	\$ 100	November 2022
FHIPO 00122	28-day TIIE		+65 bps	-	\$ 100	February 2023
FHIPO 00222	28-day TIIE		+60 bps	-	\$ 100	March 2023
IFC 1	Storage Line (Revolving)	28-day TIIE	+135 bps	\$1,350	\$ 1,350	2028
HSBC		28-day TIIE	+135 bps	\$5,000	\$ 3,355	2053
IFC 2		28-day TIIE	+188 bps	\$1,250	\$ 670	2028
Banorte		28-day TIIE	+135 bps	\$2,000	\$850	2055

Source: FHipo, MGR | (Million)

MAIN RISKS

Macroeconomic volatility. Unemployment could rise in a macroeconomic recession. However, INFONAVIT grants temporary payment extensions to its beneficiaries when they lose their jobs.

Change in the availability of mortgage credit at INFONAVIT or FOVISSSTE. However, these institutions have supported the housing sector in a significant way in the past, so we believe they will continue to provide an increasing amount of mortgage loans in the future.

Changes in the conditions of FHipo's existing credit portfolio. Part of FHipo's mortgage loan portfolio is denominated in minimum wages, which have risen significantly in the past. A change in the calculation base of these credits could affect Fhipo's interest gains generation in the future.

Lack of growth through mortgage portfolio acquisitions. If FHipo did not acquire new credit portfolios, its existing portfolio would gradually amortize, thus reducing the amount of potential distributions. This could happen if INFONAVIT or FOVISSSTE did not carry out new credit auctions or if FHipo could not find additional financing at attractive rates.

Changes in Fhipo's administrative team. We believe that a change in key executives, primarily the CEO and/or the CFO, could affect the price of Fhipo's certificates due to their extensive industry knowledge and strong track record of creating shareholder value.

Medium liquidity of Fhipo's certificates with an average daily traded amount of MXN\$1.8 million during the last six months.

FINANCIAL PROJECTIONS

(Figures in MXN\$ Mn)

Income Statement	2021	2022E	2023E	2024E	2025E	2026E	2027E
Interests on mortgage loans	1,686.5	1,225.9	1,163.0	1,104.7	1,050.1	999.0	951.0
Investment income	56.4	78.5	88.5	93.9	99.7	105.8	112.3
Total interest income	1,742.9	1,304.5	1,251.5	1,198.6	1,149.8	1,104.8	1,063.3
Interest expenses	-908.7	-578.7	-538.9	-479.9	-425.8	-376.1	-331.1
Financial margin	834.3	725.7	712.6	718.7	724.0	728.7	732.2
(-) Allowance for loan losses	-168.5	-95.0	-87.6	-82.2	-77.0	-72.2	-67.7
Financial margin adjusted for credit risks	665.8	630.7	624.9	636.5	647.0	656.4	664.5
Valuation of receivable benefits in securitization transacti	438.7	354.8	346.1	338.0	330.6	323.9	317.7
Other income	1.1	2.0	2.0	2.0	2.0	2.0	2.0
Total revenues, Net	1,105.6	987.5	973.0	976.6	979.7	982.3	984.2
Management and collection fees	-125.2	-90.6	-84.9	-79.6	-74.7	-70.0	-65.6
Other administrative expenses & Other Expenses	-215.1	-217.5	-229.4	-242.1	-255.4	-269.4	-284.2
Administrative expenses	-340.3	-308.1	-314.4	-321.7	-330.0	-339.4	-349.8
Profit (Loss) before taxes	765.3	679.5	658.7	654.9	649.7	642.9	634.4
Income tax	-1.4	-2.7	-2.6	-2.6	-2.6	-2.5	-2.5
Net profit (loss)	763.9	676.8	656.1	652.3	647.1	640.4	631.9
Other comprehensive income	303.1	188.4	188.4	188.4	188.4	188.4	188.4
Total comprehensive income	1,067.0	865.2	844.4	840.7	835.5	828.8	820.3
CBFIs	387.7	377.7	377.7	377.7	377.7	377.7	377.7
Earnings per CBFi	1.932	1.773	1.737	1.727	1.713	1.695	1.673
Distribution	725.9	642.9	623.3	619.7	614.7	608.4	600.3
Distribution per CBFi	1.836	1.684	1.650	1.641	1.627	1.611	1.589
Distribution / Net profit	95%	95%	95%	95%	95%	95%	95%
Balance Sheet	2021	2022E	2023E	2024E	2025E	2026E	2027E
Cash and cash equivalents	692.3	1,409.0	1,495.4	1,587.2	1,684.6	1,787.9	1,897.7
Loans, net	11,133.4	10,545.1	10,011.2	9,513.5	9,046.8	8,609.3	8,199.2
Collection rights, net	101.7	95.9	90.3	85.0	80.0	75.3	70.9
Loans classified as held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivable benefits in securitization transactions	4,088.6	3,802.0	3,564.5	3,341.7	3,133.0	2,937.2	2,753.7
Accounts receivables and other assets	263.9	620.5	651.5	684.1	718.3	754.2	791.9
Equipment, net	1.2	0.8	0.8	0.8	0.8	0.8	0.8
Derivative financial instruments	34.9	73.2	73.2	73.2	73.2	73.2	73.2
Total assets	16,316.0	16,546.5	15,886.9	15,285.5	14,736.7	14,238.0	13,787.4
Accounts payables and accrued expenses	199.3	393.6	393.6	393.6	393.6	393.6	393.6
Notes/securities payable	587.4	599.2	599.2	599.2	599.2	599.2	599.2
Borrowings	5,741.6	5,815.4	5,123.0	4,489.0	3,907.8	3,377.2	2,894.9
Derivative financial instruments	8.8	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	6,537.1	6,808.1	6,115.8	5,481.8	4,900.6	4,369.9	3,887.7
Total debt	6,329.1	6,414.6	5,722.2	5,088.2	4,507.0	3,976.4	3,494.1
Total equity	9,778.8	9,738.3	9,771.1	9,803.7	9,836.1	9,868.1	9,899.7

Source: Miranda Global Research

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