

Mortgage REITS

Companies mentioned:

AGNC	Buy
Target Price:	\$15.00
Closing Price:	\$12.71
Market Cap (M):	\$7,109.4
Avg. Daily Volume:	10,688.8
AI	Hold
Target Price:	NA
Closing Price:	\$2.83
Market Cap (M):	\$104.2
Avg. Daily Volume:	524.6
EFC	Buy
Target Price:	(Prior:\$15.00) \$16.00
Closing Price:	\$11.23
Market Cap (M):	\$491.6
Avg. Daily Volume:	666.9
NYMT	Hold
Target Price:	NA
Closing Price:	\$2.43
Market Cap (M):	\$917.2
Avg. Daily Volume:	10,813.3
TWO	Hold
Target Price:	NA
Closing Price:	\$4.91
Market Cap (M):	\$1,343.0
Avg. Daily Volume:	10,245.9

Mortgage REITS

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Stabilization, but with Less Earnings Power and Lower Dividends; EFC Is Still our Top Pick, Raising PT to \$16

Summary

- The mortgage market has stabilized post-March, but after sales in 1Q20 covered margin calls, all mortgage REITS (mREITs) now have fewer earning assets and lower dividends.
- Our top pick, EFC has recently increased its dividend, and just reported 2.8% higher book value, so we are raising our PT to \$16, from \$15.
- Our other Buy-rated name, AGNC, has the highest dividend yield on book value (9.7%) in our coverage.
- After losing material book value in 1Q20, TWO increased its dividend, and NYMT reinstated its dividend. AI still pays no dividend.

Details

EFC is our top pick. Managing an mREIT even in 'normal' times is difficult, requiring a balance between income and hedging; when an unexpected shock occurs, crisis management skills are also required to dynamically hedge and reposition the portfolio. We have followed EFC longer than any other analyst, and in our view, EFC management possesses all of these skills. This enabled it to outperform in 1Q20. In 2Q20, EFC raised its quarterly dividend (paid monthly) to \$0.27, from \$0.24, representing a 9.6% yield on the current stock price and a 6.9% yield on book value (BV). We expect further dividend increases. We raise our PT to \$16, from \$15, which equates to 1.0x preannounced BV as of 6/30/20 (reported on 7/8) of \$15.68 (the same multiple of 3/31/20 BV used to derive our prior PT). Shares currently trade at 0.7x BV. Management is bullish on mortgage credit assets, due to less competition, wider spreads, distressed loans and securities, and motivated sellers.

AGNC is our other favorite. AGNC's 2Q20 dividend of \$0.36 (paid monthly) represents an 11.3% yield on the current stock price and a 9.7% yield on book value. This is the highest yield on book value in our mREIT coverage, indicating that AGNC was able to preserve much of its earnings power in 1Q20, which is why we upgraded it to Buy, from Hold, in May. In addition, AGNC was able to recapture in April and May about one-third of the 23% of the book value that it lost in 1Q20, so we expect strong GAAP EPS in 2Q20. We maintain our PT at \$15, which equates to 1.0x 5/31/20 book value (the same multiple used to derive our prior PT). AGNC shares currently trade at 0.86x book value.

We maintain our Hold rating on TWO. In April, we downgraded TWO to Hold, from Buy, as TWO underperformed in 1Q20, losing 52% of its book value. TWO declared an "interim" common stock dividend of \$0.05/sh for 1Q20, and has now declared \$0.14/sh for 2Q20 (and 3Q20 and 4Q20). This equates to an annual dividend of \$0.56, and represents an 11.4% yield on the current stock price and an 8.0% yield on book value. TWO shares currently trade at 0.7x book value. We also note that TWO: 1) is internalizing management (and paying a one-time fee of about \$0.50/sh in 2Q20); and 2) replaced CEO Tom Seiring with former co-CIO Bill Greenberg.

We maintain our Hold rating on NYMT. NYMT's book value declined 33% in 1Q20, to \$3.89. NYMT has now declared a \$0.05/sh dividend for 2Q20. This equates to an annual dividend of \$0.20, and represents an 8.2% yield on the current stock price and a 5.1% yield on book value. NYMT shares currently trade at 0.6x book value.

We maintain our Hold rating on AI. AI's book value declined 33% in 1Q20, to \$5.28. AI did not declare a 1Q20 dividend and has not declared a 2Q20 dividend on its common stock, though it has declared preferred stock dividends. AI shares currently trade at 0.5x book value.

For perspective, see Figure 1 on page 5. Most recently-disclosed book values of Ag Mortgage (MITT - NR), Invesco Mortgage (IVR - NR) and Western Asset (WMC - NR) are down 89%, 82%, and 69%, respectively, from year-end 2019.

MORTGAGE REITS – KEY TOPICS

- **Volatility / margin calls / liquidity:** Mortgage REITs (mREITs) are leveraged vehicles for investing in mortgage-backed securities (MBS) and other mortgage assets. The principal and interest on Agency MBS are guaranteed by the U.S. government and there is a very liquid market in agency MBS, so lenders are willing to advance a very high percentage of principal (as much as 95%). The advance rate on non-agency (not guaranteed) securities and assets is much lower, because of credit risk and much less liquidity. With mREITs' leverage, volatility in prices of MBS and other mortgage assets poses a risk of receiving margin calls (when the market value of the MBS/asset collateral falls below the amount advanced/loaned), so all mREITs are hedged to help offset this risk. In 1Q20 (especially in mid-March), extreme and unprecedented volatility caused a wave of margin calls, which tested: 1) each mREIT's then-existing portfolio positioning and hedging, and 2) each management's ability to quickly raise cash (by deleveraging) or otherwise provide additional margin and to reposition and re hedge. Some were better positioned/hedged than others going in, and/or reacted better to the liquidity challenge. All mREITs likely had to sell some positions at a loss, while other positions generated unrealized losses in 1Q20, a portion of which might be able to be recaptured in 2Q20 (or later).
- **Book value / stock prices.** All of the mREITs in our coverage universe suffered material loss of book value in 1Q20 due to realized and unrealized losses. Book value is an especially important metric for mREITs, in our view, because it is the "normative" value at which mREITs trade; that is, in a "normal" environment, mREITs tend to trade at around 1.0x book value. The mortgage market firmed up some in April (partly due to aggressive purchases of agency MBS by the Fed), and now appears to have stabilized. Some mREITs have announced that their book values are higher today than at the end of 1Q20 (due to retracing of unrealized losses). Investors should probably assume that the near-term upside in stock price (excluding dividends) is 1.0x the 1Q20 (or most-recently announced) book value. Uncertainty about book values in March 2020 led to panic selling (driving valuations to as low as 0.2x book value); since then (that is, in 2Q20), mREIT stocks were up 30% (as measured by the Dow Jones Mortgage REIT Index [DJUSMR]), but they are still down 45% YTD. The stocks of mREITs in our coverage universe were up 53% in 2Q20, but they are still down 49% YTD.
- **Size of investment portfolio / dividends.** Some mREITs have suspended and not yet resumed paying dividends, and all mREITs have cut dividends. While we expect many mREITs to increase their dividend levels, most are being cautious for now in case there is another outbreak of volatility and/or to determine what amount of leverage makes sense at this time. The ultimate driver of the amount of the dividend will be the size and composition of the investment portfolio (and how it is funded and hedged). All mREITs are currently carrying lower leverage than previously (though some have started to raise leverage post-1Q20), so they all have smaller portfolios now than at year-end 2019 -- and therefore less earnings power and lower dividends.
- **Carnage elsewhere:** As a reminder of the risks involved with leveraged investment strategies, and the importance of risk management, see Figure 1 on page 5 (which includes data for most publicly traded mREITs). Most recently disclosed book values of AG Mortgage, Invesco Mortgage, and Western Asset Mortgage are down 89%, 82%, and 69%, respectively, from their book values at year-end 2019. It is our understanding that the main losses for these companies was the result of forced selling of illiquid credit/non-agency positions. This makes EFC's performance all the more impressive, in our view, as it went into 1Q20 with a very high 80% of its capital allocated to credit/non-agency assets. We attribute EFC's outperformance to general risk aversion, superior hedging strategy and skills, and funding of credit/non-agency assets with non-mark-to-market and non-recourse debt.

MORTGAGE REITS – OVERVIEW, EARNINGS & VALUATION

- **Ellington Financial Inc. (EFC - Buy, Mkt Cap: \$490M)** - our top pick. EFC went into 1Q20 with about 80% of its capital allocated to credit/non-agency mortgage assets and about 20% to agency MBS, which means that its leverage was lower than many mREITs (recourse leverage of 2.6x), but its assets were less liquid. From year-end 2019 through June 30, EFC's book

- value declined by 15.2%, to \$15.68; this is the best performance in our coverage universe. Our new PT of \$16 equates to 1.0x book value as of June 30 (the same multiple of book value used to derive our prior PT). EFC currently trades at 0.7x book value. EFC declared a common stock dividend of \$0.08/sh for April (vs. \$0.15/sh for March) and has now raised its monthly dividend to \$0.09/sh; this equates to an annualized dividend of \$1.08, and would represent a 9.6% yield on the current stock price and a 6.9% yield on book value. We expect EFC to pay out \$1.20 in 2021.
- **2Q Preview:** 2Q20 results are expected to be reported on the week of 8/3. Pre-announced book value of \$15.68 as of 6/30/20 implies 2Q20 EPS of \$0.86 (see page 6 for our earnings model). Consensus is \$0.23, which we assume is a core earnings number; our estimate is \$0.24. EFC has already declared 2Q20 dividends of \$0.25/sh (monthly dividends of \$0.08+\$0.08+\$0.09), and 3Q20 dividends of at least \$0.27/sh (3 x \$0.09).
 - **Balance sheet:** As of March 31, EFC had unrestricted cash of \$137M, unencumbered assets of \$279M, total debt-to-equity of 3.1x (vs. 3.8x at year-end 2019), and recourse debt-to-equity of 2.1x (vs. 2.6x). These metrics, especially the low recourse debt-to-equity, would appear to position EFC to take advantage of the opportunities it sees for "strong" future returns.
- **AGNC Investment Corp. (AGNC - Buy, Mkt Cap: \$7.1B)** is an agency mREIT that went into 1Q20 with 98% of its portfolio in agency MBS and only 2% in non-agency credit assets, which means that its leverage was above-average for mREITs ("at risk" leverage of 9.4x, including TBAs) and its assets were very liquid. From year-end 2019 through 5/31, AGNC's book value declined by 15.9%, to \$14.86; this is a very good performance relative to our coverage universe, just behind EFC). AGNC currently trades at 0.86x book value. AGNC declared a common stock dividend of \$0.12/sh for April (which it has sustained) vs. \$0.16/sh for March; this equates to an annualized dividend of \$1.44, and would represent an 11.3% yield on the current stock price and a 9.7% yield on book value. This is the highest yield on book value in our coverage universe.
 - **2Q Preview:** 2Q20 results are scheduled to be reported on 7/27. Based on announced interim book value increases, we expect strong EPS of \$1.44 and core earnings of \$0.36 per share (see page 7 for our earnings model). Consensus for core earnings is \$0.46. AGNC has already declared 2Q20 monthly dividends totaling \$0.36/sh.
 - **Balance sheet:** As of March 31, AGNC had: cash and unencumbered assets of \$5.0B; an investment portfolio of \$93B (down 14% from \$108B as of year-end 2019); and "at-risk" leverage of 9.4x (reduced to 8.5x in May). The liquidity is above-average; the leverage is above-average for mREITs, though about average for agency mREITs. The smaller size of the investment portfolio would account for the dividend cut in April.
 - **Two Harbors Investment Corp. (TWO - Hold, Mkt Cap: \$1.3B)** went into 1Q20 with 78% of its capital allocated to agency MBS paired with mortgage servicing rights (MSRs) and 22% to non-agency assets. During 1Q20, TWO sold its portfolio of non-agency MBS, apparently at a substantial loss, in order to reduce recourse debt and margin calls. Partly as a result of the sale, TWO's book value declined by 52%, to about \$6.96; this was the worst performance in our coverage universe. In April and May, TWO's book value increased, but, due to: 1) a \$0.50/sh charge in 2Q20 for management internalization, and 2) issues relating to TWO's obligations to make mortgage servicing advances, we will continue to use \$6.96 as an approximation of TWO's book value. TWO currently trades at 0.7x book value. EFC declared an "interim" common stock dividend of \$0.05/sh for 1Q20, which it has now raised to \$0.14/sh for 2Q20; this equates to an annualized dividend of \$0.56, and would represent an 11.4% yield on the current stock price and an 8.0% yield on book value. We believe that TWO will increase its dividend to \$0.80 for 2021.
 - **2Q Preview:** 2Q20 results are expected to be reported the week of 8/3. Consensus is \$0.14/sh, which we assume is a core earnings number; our new estimate is \$0.15, up from \$0.01 (see page 8 for our earnings model). The GAAP number will include the \$0.50/sh charge for management internalization. TWO has already declared a 2Q20 dividend

of \$0.14/sh, which, as mentioned above, we believe that TWO will increase to \$0.20/sh for 2021.

- **Balance sheet:** As of March 31, TWO had unrestricted cash of \$1.2B, an investment portfolio of \$21B (versus \$41B as of year-end 2019) and economic leverage of 7.0x. As of April 30, economic leverage was down to 6.7x, but we expect TWO to add leverage once that it is comfortable with the size and scope of its obligations to make mortgage servicing advances for mortgage borrowers who are in forbearance.
- **New York Mortgage Trust, Inc. (NYMT - Hold, Mkt Cap: \$915M)** is a hybrid mREIT that favors mortgage credit assets. NYMT went into 1Q20 with 92% of its capital allocated to credit/non-agency mortgage assets, which means that its leverage was lower than many mREITs (recourse leverage of 1.4x), but its assets were less liquid. During 1Q20, EFC's book value declined by 33.0%, to \$3.89. NYMT currently trades at 0.6x book value. NYMT suspended its 1Q20 common stock dividend and then declared a 2Q20 dividend of \$0.05/sh; this equates to an annualized dividend of \$0.20, and would represent an 8.2% yield on the current stock price and a 5.1% yield on book value.
 - **2Q Preview:** 2Q20 results are expected to be reported the week of 8/3. Consensus is \$0.07/sh, versus our new estimate of \$0.05/sh (up from \$0.00 (see page 9 for our earnings model)). As mentioned, NYMT has declared a \$0.05/sh dividend for 2Q20. Investors should keep in mind that NYMT's share count has increased by 29% since year-end 2019, meaning that lower earnings should be divided by a higher share count, to produce significantly lower EPS and dividends per share. We expect NYMT to lever up to offset some of the "lost" earnings.
 - **Balance sheet:** As of April 7, NYMT had: cash and equivalents of \$200M; unencumbered credit mortgage assets of \$1.5B; and recourse leverage of 0.6x (less than one-half of 1.4x as of year-end 2019), which it expects to increase over time to 1.0x-1.5x. The liquidity is above-average and the leverage is below-average.
- **Arlington Asset Investment Corp. (AI - Hold, Mkt Cap: \$105M)** is a hybrid mREIT with an agency focus. AI went into 1Q20 with 86% of its capital allocated to agency MBS and 14% allocated to non-agency credit assets, which means that its leverage was above-average for mREITs (repo leverage of 8.7x), and its assets were very liquid. In 1Q20, AI's book value declined by 33%, to \$5.28. AI currently trades at 0.5x book value. AI did not declare a 1Q20 dividend on its common stock "in order to preserve liquidity," and has not declared a dividend for 2Q20.
 - **2Q Preview:** 2Q20 results are expected to be reported the week of 8/3. Consensus is \$0.03/sh, which we assume is a core operating income; our estimate is \$0.00, as we expect leverage to remain low in 2Q20 (see page 10 for our earnings model). As mentioned, AI will not pay a 2Q20 dividend.
 - **Balance sheet:** As of March 31, AI's unrestricted cash was about \$90M and its repo leverage was 1.5x, down from 8.7x as of year-end 2019. This reflects a massive (about 80%) shrinking of AI's investment portfolio--and of its earnings power and ability to pay dividends. It also reflects, in management's words, AI's "significantly increasing liquidity."

Figure 1. MORTGAGE REIT VALUATION

Ticker	Company	Rating	Target Price	7/10/2020 Price	Recent BV (1)	vs YE19 BV (1)	Price/BV (1)	Recent Dividend	Dividend Yield	Div Yield on BV (1)	Mkt Cap (Millions)
AGNC.O	AGNC Investment	Buy	15.00	12.71	14.86	-16%	0.86	0.36	11.3%	9.7%	7109
ANH	Anworth	NR	NA	1.64	2.69	-42%	0.61	0.05	12.2%	7.4%	162
ARR	ARMOUR	NR	NA	9.21	11.01	-47%	0.84	0.30	13.0%	10.9%	542
CMO	Capstead	NR	NA	5.33	6.34	-26%	0.84	0.15	11.3%	9.5%	504
EARN.K	Ellington Resi	NR	NA	9.82	12.44	-4%	0.79	0.28	11.4%	9.0%	122
ORC.N	Orchid Island	NR	NA	4.43	5.35	-15%	0.83	0.17	14.9%	12.3%	293
	Average: Agency					-25%	0.79		12.4%	9.3%	
MITT.K	AG Mortgage	NR	NA	3.17	1.85	-89%	1.71	0.00	0.0%	0.0%	104
NLY	Annaly	NR	NA	6.64	7.50	-22%	0.89	0.22	13.3%	11.7%	9496
AI	Arlington	Hold	NA	2.83	5.28	-33%	0.54	0.00	0.0%	0.0%	104
CIM	Chimera	NR	NA	8.95	12.45	-23%	0.72	0.30	13.4%	9.6%	1675
DX	Dynex	NR	NA	13.73	16.07	-11%	0.85	0.39	11.4%	9.7%	315
EFC	Ellington	Buy	16.00	11.23	15.68	-15%	0.72	0.27	9.6%	6.9%	492
IVR	Invesco Mtge	NR	NA	3.31	2.90	-82%	1.14	0.02	2.4%	2.8%	537
MFA	MFA Financial	NR	NA	2.48	4.34	-38%	0.57	0.00	0.0%	0.0%	1122
NYMT.O	NY Mtge Trust	Hold	NA	2.43	3.89	-33%	0.62	0.05	8.2%	5.1%	917
TWO	Two Harbors	Hold	NA	4.91	6.96	-52%	0.71	0.14	11.4%	8.0%	1343
WMC	Western Asset	NR	NA	2.22	3.26	-69%	0.68	0.00	0.0%	0.0%	119
	Average: Hybrid					-44%	0.83		6.3%	5.4%	
PMT	PennyMac	NR	NA	17.62	15.16	-29%	1.16	0.40	9.1%	10.6%	1766
RWT	Redwood Trust	NR	NA	6.32	6.65	-58%	0.95	0.13	7.9%	7.5%	723
	Average: Non-Ag					-29%	1.06		8.6%	8.9%	

Note (1): BV is abbreviation for Book Value.

ELLINGTON FINANCIAL INC (EFC)

Income Statement

(\$ in millions)

	1Q19A	2Q19A	3Q19A	4Q19A	1Q20A	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	2019A	2020E	2021E
Leverage (Preferred Stock as debt)	3.8	4.2	4.1	4.7	3.9	3.7	3.7	3.7	3.7	3.7	3.7	3.7	4.2	3.8	3.7
Cost of Av Interest-Bearing Liabilities	3.50%	3.52%	3.22%	2.95%	3.62%								3.30%		
Net Interest Rate Margin	2.58%	2.69%	2.58%	2.64%	3.37%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.62%	3.02%	2.90%
Interest Income	36.016	38.547	39.985	45.353	52.108								159.901		
Interest Expense	17.618	19.702	19.954	21.205	22.090								78.479		
Net Interest Income	18.398	18.845	20.031	24.148	30.018	22.188	22.188	22.188	22.188	22.188	22.188	22.188	81.422	96.582	88.752
Realized Gain on Investments	-5.322	-1.505	3.368	-9.326	12.260	27.500	1.500	2.000	2.800	2.800	2.800	2.800	-12.785	43.260	11.200
Realized Gain on Derivatives	-11.570	-10.920	-9.360	0.938	-12.406								-30.912	-12.406	
Realized Gain on Real Estate Owned	-0.058	0.098	1.165	1.122	0.350								2.327	0.350	
Unrealized Gain on Investments	26.388	18.487	6.519	3.084	-133.738								54.478	-133.738	
Unrealized Gain on Derivatives	-5.689	-4.921	1.473	3.799	-9.984								-5.338	-9.984	
Unrealized Gain on Real Estate Owned	-0.247	-0.266	-0.022	-0.744	-0.357								-1.279	-0.357	
Other	2.002	1.808	0.539	1.001	1.679								5.350	1.679	
Total Other Income	5.504	2.781	3.682	-0.126	-142.196	27.500	1.500	2.000	2.800	2.800	2.800	2.800	11.841	-111.196	11.200
Management Fee	1.722	1.661	1.942	2.663	2.443	2.473	2.574	2.573	2.575	2.575	2.574	2.574	7.988	10.063	10.298
Incentive Fee	0.000	0.000	0.000	0.116	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.116	0.000	0.000
Other Operating Expenses	7.489	8.287	5.853	9.004	7.771	7.771	7.771	7.771	7.771	7.771	7.771	7.771	30.633	31.084	31.084
Total G&A Expenses	9.211	9.948	7.795	11.783	10.214	10.244	10.345	10.344	10.346	10.346	10.345	10.345	38.737	41.147	41.382
GAAP Net Income before Dividends	14.691	11.678	15.918	12.588	-127.457	39.793	13.692	14.193	14.991	14.991	14.992	14.992	63.177	-55.760	59.966
Core Net Income before Dividends	14.691	11.678	15.918	17.275	23.257	12.293	13.692	14.193	14.991	14.991	14.992	14.992	39.599	98.689	59.966
Preferred Dividends	0.000	0.000	0.000	1.466	1.941	1.941	1.941	1.941	1.941	1.941	1.941	1.941	1.466	7.764	7.764
GAAP Net Income	15.408	12.644	17.293	11.122	-129.398	37.852	11.751	12.252	13.050	13.050	13.051	13.051	56.467	-67.542	52.202
Core Income	13.349	13.620	15.437	15.809	19.792	10.352	11.751	12.252	13.050	13.050	13.051	13.051	58.215	54.147	52.202
Shares Outstanding (EOP)	29.746	29.746	33.774	38.648	43.780	43.780	43.780	43.780	43.780	43.780	43.780	43.780	38.648	43.780	43.780
Shares Outstanding (Average)	29.748	29.746	32.836	36.594	43.284	43.780	43.780	43.780	43.780	43.780	43.780	43.780	32.800	43.656	43.780
GAAP EPS	0.52	0.43	0.53	0.31	-3.04	0.86	0.27	0.28	0.30	0.30	0.30	0.30	1.76	-1.55	1.19
Core Income per Share	0.45	0.46	0.47	0.44	0.46	0.24	0.27	0.28	0.30	0.30	0.30	0.30	1.82	1.24	1.19
Dividends per Share	0.55	0.42	0.42	0.42	0.45	0.25	0.27	0.27	0.30	0.30	0.30	0.30	1.81	1.24	1.20
Return on Average Common Equity	10.95%	8.99%	11.55%	6.59%	-75.36%	22.50%	6.85%	7.14%	7.60%	7.60%	7.60%	7.61%	9.52%	-9.72%	7.60%
Common Shareholders Equity	562.209	562.470	635.446	714.265	659.383	686.290	686.221	686.653	686.569	686.485	686.402	686.319	714.265	686.653	686.319
Book Value per Share	18.90	18.91	18.81	18.48	15.06	15.68	15.67	15.68	15.68	15.68	15.68	15.68	18.48	15.68	15.68

Source: Company reports and Maxim Group estimates

AGNC INVESTMENT CORP. (AGNC)

Income Statement

(\$ in millions)

	1Q19A	2Q19A	3Q19A	4Q19A	1Q20A	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	2019A	2020E	2021E
Leverage (Preferred Stock as debt)	10.3	10.9	10.8	10.5	12.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.6	11.2	11.0
Yield on Av Interest-Earning Assets	3.33%	3.24%	3.16%	3.09%	2.97%										
Cost of Av Interest-Bearing Liabilities	2.27%	2.24%	1.85%	1.76%	1.67%										
Net Interest Rate Spread	1.06%	1.00%	1.31%	1.33%	1.30%										
Net Interest Rate Margin	0.95%	0.69%	0.93%	1.70%	-0.50%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.07%	0.65%	1.03%
Interest Income	705.000	693.000	676.000	768.000	491.000										
Interest Expense	541.000	570.000	557.000	481.000	426.000										
Net Interest Income	164.000	123.000	119.000	287.000	65.000	249.051	249.051	249.051	249.051	249.051	249.051	249.051	693.000	812.154	996.206
Gain-on-Sale of Agency MBS	1120.000	891.000	444.000	-53.000	691.000								2402.000	691.000	0.000
Gain on Derivatives and Other MBS	-1000.000	-1438.000	-548.000	662.000	-3154.000	610.000	0.000	0.000	0.000	0.000	0.000	0.000	-2324.000	-2544.000	0.000
Management Fee Income	0.000	0.000	0.000	0.000	0.000								0.000	0.000	0.000
Total Other Income	120.000	-547.000	-104.000	609.000	-2463.000	610.000	0.000	0.000	0.000	0.000	0.000	0.000	78.000	-1853.000	0.000
Compensation and Benefits	10.000	11.000	10.000	16.000	13.000	13.000	13.000	13.000	13.000	13.000	13.000	13.000	47.000	52.000	52.000
Other Operating Expenses	9.000	9.000	9.000	15.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	42.000	40.000	40.000
Total Operating Expenses	19.000	20.000	19.000	31.000	23.000	23.000	23.000	23.000	23.000	23.000	23.000	23.000	89.000	92.000	92.000
Income before Taxes	265.000	-444.000	-4.000	865.000	-2421.000	836.051	226.051	226.051	226.051	226.051	226.051	226.051	682.000	-1132.846	904.206
Income Taxes	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GAAP Net Income before Dividends	265.000	-444.000	-4.000	865.000	-2421.000	836.051	226.051	226.051	226.051	226.051	226.051	226.051	682.000	-1132.846	904.206
Core Net Income before Dividends	289.000	275.000	334.000	325.100	334.000	226.051	226.051	226.051	226.051	226.051	226.051	226.051	1223.100	1012.154	904.206
Preferred Dividends	10.000	13.000	13.000	18.000	21.000	21.000	21.000	21.000	21.000	21.000	21.000	21.000	54.000	84.000	84.000
GAAP Net Income	255.000	-457.000	-17.000	847.000	-2442.000	815.051	205.051	205.051	205.051	205.051	205.051	205.051	628.000	-1216.846	820.206
Core Net Income	279.000	262.000	321.000	307.100	313.000	205.051	205.051	205.051	205.051	205.051	205.051	205.051	1169.100	928.154	820.206
Shares Outstanding (EOP)	536.300	547.800	540.900	540.900	567.700	567.700	567.700	567.700	567.700	567.700	567.700	567.700	540.900	567.700	567.700
Shares Outstanding (Average)	537.200	538.400	546.400	542.600	548.000	567.700	567.700	567.700	567.700	567.700	567.700	567.700	541.150	562.775	567.700
GAAP EPS	0.47	-0.85	-0.03	1.56	-4.46	1.44	0.36	0.36	0.36	0.36	0.36	0.36	1.16	-2.16	1.44
Core EPS	0.52	0.49	0.59	0.57	0.57	0.36	0.36	0.36	0.36	0.36	0.36	0.36	2.16	1.65	1.44
Dividends per Share	0.54	0.50	0.48	0.48	0.48	0.36	0.36	0.36	0.36	0.36	0.36	0.36	2.00	1.56	1.44
Return on Average Common Equity	10.64%	-18.87%	-0.71%	34.65%	-106.53%	38.06%	9.25%	9.25%	9.24%	9.24%	9.24%	9.24%	6.43%	-12.49%	9.24%
Common Shareholders Equity	9766.000	9611.000	9478.000	10078.000	8260.000	8870.679	8871.359	8872.038	8872.718	8873.397	8874.077	8874.756	10078.000	8872.038	8874.756
Tangible Book Value per Share	17.23	16.58	16.55	17.66	13.62	14.70	14.70	14.70	14.70	14.70	14.71	14.71	17.66	14.70	14.71

Source: Company reports and Maxim Group estimates

TWO HARBORS INVESTMENT CORP. (TWO)

Income Statement

(\$ in millions)

	1Q19A	2Q19A	3Q19A	4Q19A	1Q20A	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	2019A	2020E	2021E
Leverage	6.2	7.3	6.6	7.6	9.7	9.6	9.6	9.5	9.5	9.4	9.3	9.2	6.9	9.6	9.4
Yield on Av Interest-Earning Assets	4.25%	3.93%	3.67%	3.54%	3.52%										
Cost of Av Interest-Bearing Liabilities	2.47%	2.55%	2.51%	2.35%	2.39%										
Net Interest Rate Spread	1.78%	1.38%	1.16%	1.19%	1.13%										
Net Interest Rate Margin	1.20%	0.93%	0.76%	0.90%	1.34%	1.34%	1.34%	1.34%	1.34%	1.34%	1.34%	1.34%	0.95%	1.34%	1.34%
Interest Income	245.483	261.029	249.740	238.438	255.507										
Interest Expense	163.525	192.443	191.077	167.284	167.308										
Net Interest Income	81.958	68.586	58.663	71.154	88.199	64.573	64.573	64.573	64.573	64.573	64.573	64.573	280.361	281.919	258.293
OTTI Losses	-0.206	-4.848	-5.950	-3.308	0.000								-14.312	0.000	0.000
Gain on Sale of Investments	-19.292	22.441	248.828	28.141	-1081.607	145.000	0.000	0.000	-42.000	-42.000	-42.000	-42.000	280.118	-936.607	-168.000
Gain on Interest Rate Swaps/Swaptions	-83.259	-88.775	70.620	-6.875	-250.596										
Gain on Other Derivatives	104.278	80.664	85.856	-10.800	-133.468										
Gain on Mortgage HFS (+ HFI)	0.000	0.000	0.000	0.000	0.000										
Servicing Income	116.948	130.949	126.025	127.690	130.797	100.000	100.000	100.000	100.000	100.000	100.000	100.000	501.612	430.797	400.000
Servicing Asset Valuation	-188.974	-252.432	-234.514	-21.739	-586.665	-70.000	-70.000	-55.000							
Other Income	0.123	-0.341	0.495	0.06	0.798										
Total Other Income	-70.176	-107.494	297.310	116.477	-1920.741	175.000	30.000	45.000	58.000	58.000	58.000	58.000	236.117	-1670.741	232.000
Management Fees	12.082	13.635	16.839	17.546	14.550	7.136	7.149	7.159	7.224	7.276	7.328	7.380	60.102	35.994	29.209
Securitization Deal Costs	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Servicing Expenses	19.912	16.746	17.696	20.253	19.905	25.000	25.000	25.000	25.000	25.000	25.000	25.000	74.607	94.905	100.000
Other Operating Expenses	15.556	14.013	13.344	14.142	15.797	159.797	15.797	15.797	16.000	16.000	16.000	16.000	57.055	207.188	64.000
Total G&A Expenses	47.550	44.394	47.879	51.941	50.252	191.933	47.946	47.956	48.224	48.276	48.328	48.380	191.764	338.087	193.209
GAAP Net Income before Taxes	-35.974	-88.150	302.144	132.382	-1882.794	47.640	46.627	61.618	74.349	74.297	74.245	74.194	310.402	-1726.909	297.084
Core Net Income before Taxes	132.594	127.391	80.374	84.249	-1882.794	47.640	46.627	61.618	74.349	74.297	74.245	74.194	424.608	-1726.909	297.084
Provision for Income Taxes	-10.039	2.407	-3.556	-2.372	-13.138	-13.138	-13.138	-13.138	-13.138	-13.138	-13.138	-13.138	-13.560	-52.552	-52.552
Preferred Dividends	18.950	18.950	18.951	18.950	18.950	18.950	18.950	18.950	18.950	18.950	18.950	18.950	75.801	75.800	75.800
GAAP Net Income	-44.885	-109.507	286.749	115.804	-1888.606	41.828	40.815	55.806	68.537	68.485	68.433	68.382	248.161	-1750.157	273.836
Core Net Income	123.683	106.034	64.979	67.671	-1888.606	41.828	40.815	55.806	68.537	68.485	68.433	68.382	362.367	-1750.157	273.836
Shares Outstanding (EOP)	272.827	272.900	272.895	272.936	273.528	273.528	273.528	273.528	273.528	273.528	273.528	273.528	272.936	273.528	273.528
Shares Outstanding (Average)	252.358	272.863	291.054	291.071	273.393	273.393	273.393	273.393	273.393	273.393	273.393	273.393	276.827	273.393	273.393
GAAP EPS	-0.18	-0.40	1.00	0.41	-6.91	0.15	0.15	0.20	0.25	0.25	0.25	0.25	0.93	-6.40	1.00
Core EPS	0.49	0.39	0.24	0.25	-6.91	0.15	0.15	0.20	0.25	0.25	0.25	0.25	1.36	-6.40	1.00
Dividends per Share	0.47	0.40	0.40	0.40	0.05	0.14	0.14	0.14	0.20	0.20	0.20	0.20	1.67	0.47	0.80
Return on Average Common Equity	-5.11%	-11.47%	29.09%	11.60%	-257.30%	8.78%	8.56%	11.64%	14.18%	14.07%	13.96%	13.85%	6.03%	-57.08%	14.01%
Common Shareholders Equity	3772.974	3867.524	4018.330	3969.216	1902.883	1906.437	1908.977	1926.507	1940.366	1954.172	1967.927	1981.630	3969.216	1926.507	1981.630
Book Value per Share	13.83	14.17	14.72	14.54	6.96	6.97	6.98	7.04	7.09	7.14	7.19	7.24	14.54	7.04	7.24

NEW YORK MORTGAGE TRUST (NYMT)

Income Statement

(\$ in millions)

	1Q19A	2Q19A	3Q19A	4Q19A	1Q20A	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	2019A	2020E	2021E
Leverage (Preferred Stock as debt)	2.5	2.6	2.0	2.3	1.4	1.6	1.8	2.0	2.1	2.3	2.5	2.6	2.3	1.7	2.4
Yield on Av Interest-Earning Assets	6.22%	5.91%	6.07%	6.15%	5.99%								6.09%		
Cost of Av Interest-Bearing Liabilities	3.82%	3.75%	3.67%	3.25%	3.07%								3.62%		
Net Interest Rate Spread	2.40%	2.16%	2.40%	2.90%	2.92%								2.47%		
Net Interest Rate Margin	3.18%	2.90%	3.28%	3.77%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.28%	3.90%	3.90%
Interest Income	147.982	167.258	179.602	199.772	210.613								694.614		
Interest Expense	121.779	141.567	147.631	155.773	163.531								566.750		
Net Interest Income	26.203	25.691	31.971	43.999	47.082	30.412	32.848	35.284	37.720	40.156	42.592	45.028	127.864	145.627	165.496
Provision for Loan Losses	-1.065	-1.296	-0.244	-0.175	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-2.780	0.000	0.000
Realized Gain on Mortgages	13.089	14.325	6.102	0.086	-147.918	11.000	10.000	25.000	35.000	34.000	33.000	33.000	33.602	-101.918	135.000
Realized Gain on Investment Securities	16.801	0.000	0.000	0.000	-54.118	0.000	0.000	0.000	0.000	0.000	0.000	0.000	16.801	-54.118	0.000
Unrealized Gain on Investment Securities	-14.586	-15.007	0.000	21.940	-396.780	0.000	0.000	0.000	7.500	8.000	6.000	4.000	-7.653	-396.780	25.500
Unrealized Gain on Multi-Family Securities	9.410	5.207	11.112	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	25.729	0.000	0.000
Other Income (incl Operating RE)	5.086	2.740	3.938	11.425	-23.187	0.000	0.000	0.000	0.000	0.000	0.000	0.000	23.189	-23.187	0.000
Total Other Income	29.800	7.265	21.152	33.451	-622.003	11.000	10.000	25.000	42.500	42.000	39.000	37.000	91.668	-576.003	160.500
Management Fees	0.723	0.543	-0.031	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.235	0.000	0.000
Expenses for Distressed Mtges and RE	3.734	2.579	3.974	3.182	3.079	3.079	3.079	3.079	3.079	3.079	3.079	3.079	13.469	12.316	12.316
Other G&A Expense	8.187	9.272	8.345	9.327	10.806	10.806	10.806	10.806	10.806	10.806	10.806	10.806	35.131	43.224	43.224
Total G&A Expenses	12.644	12.394	12.288	12.509	13.885	13.885	13.885	13.885	13.885	13.885	13.885	13.885	49.835	55.540	55.540
GAAP Net Income before Dividends-AT	44.350	22.735	41.379	65.288	-588.383	27.527	28.963	46.399	66.335	68.271	67.707	68.143	173.752	-485.493	270.456
Core Net Income before Dividends-AT	44.350	22.735	41.379	65.288	-588.383	27.527	28.963	46.399	66.335	68.271	67.707	68.143	173.752	-485.493	270.456
Preferred Dividends	5.925	6.257	6.544	10.175	10.297	10.297	10.297	10.297	10.297	10.297	10.297	10.297	28.901	41.188	41.188
GAAP Net Income (attrib to cmn shrhlders)	38.214	16.478	34.835	55.308	-598.680	17.230	18.666	36.102	56.038	57.974	57.410	57.846	144.835	-526.681	229.268
Core Net Income (attrib to cmn shrhlders)	38.214	16.478	34.835	55.308	-598.680	17.230	18.666	36.102	56.038	57.974	57.410	57.846	144.835	-526.681	229.268
Shares Outstanding (EOP)	187.831	210.873	262.621	291.371	377.465	377.465	377.465	377.465	377.465	377.465	377.465	377.465	291.371	377.465	377.465
Shares Outstanding (Average)	174.421	202.398	234.043	275.121	350.912	377.465	377.465	377.465	377.465	377.465	377.465	377.465	221.496	370.827	377.465
GAAP EPS	0.22	0.08	0.15	0.20	-1.71	0.05	0.05	0.10	0.15	0.15	0.15	0.15	0.65	-1.42	0.60
Core EPS	0.22	0.08	0.15	0.20	-1.71	0.05	0.05	0.10	0.15	0.15	0.15	0.15	0.65	-1.42	0.60
Dividends per Share	0.20	0.20	0.20	0.20	0.00	0.05	0.05	0.10	0.15	0.15	0.15	0.15	0.80	0.20	0.60
Return on Average Common Equity	15.61%	5.76%	10.22%	13.83%	-151.97%	4.70%	5.09%	9.85%	15.31%	15.83%	15.66%	15.77%	11.35%	-33.08%	15.64%
Common Shareholders Equity	1079.105	1211.152	1515.749	1683.206	1468.332	1466.689	1466.482	1464.838	1464.256	1465.611	1466.401	1467.627	1683.206	1464.838	1467.627
Book Value per Share	5.75	5.75	5.77	5.78	3.89	3.89	3.89	3.88	3.88	3.88	3.88	3.89	5.78	3.88	3.89

Source: Company reports and Maxim Group estimates

ARLINGTON ASSET INVESTMENT CORP. (AI)

Income Statement (\$ in millions)	1Q19A	2Q19A	3Q19A	4Q19A	1Q20A	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	2019A	2020E	2021E
Leverage (Preferred Stock as debt)	12.6	11.2	14.1	12.6	3.5	11.1	11.1	11.1	11.1	11.1	11.1	11.1	12.6	9.2	11.1
Net Interest Rate Margin	0.77%	0.69%	0.51%	0.72%	1.60%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.67%	0.96%	0.75%
Interest Income	33.832	32.717	28.674	28.255	24.973										
Interest Expense	25.915	26.135	23.982	21.218	15.832										
Net Interest Income	7.917	6.582	4.692	7.037	9.141	4.128	4.128	4.128	4.128	4.128	4.128	4.128	26.228	21.525	16.512
Investment Gains	13.803	-26.683	-8.463	23.172	-99.506	0.000	1.750	1.750	3.600	3.600	3.600	3.600	1.829	-96.006	14.400
Other Gains	0.250	0.000	0.232	0.218	-0.562								0.700	-0.562	0.000
Total Other Income	14.053	-26.683	-8.231	23.390	-100.068	0.000	1.750	1.750	3.600	3.600	3.600	3.600	2.529	-96.568	14.400
Compensation and Benefits	3.116	2.233	2.833	2.012	1.858	1.858	1.858	1.858	1.858	1.858	1.858	1.858	10.194	7.432	7.432
Professional Services	0.318	0.318	0.318	0.318	0.318	0.318	0.318	0.318	0.318	0.318	0.318	0.318	1.272	1.272	1.272
Insurance	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.420	0.420	0.420
Occupancy & Equipment	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.496	0.496	0.496
Other Expenses	0.716	0.644	0.818	0.458	0.838	0.838	0.838	0.838	0.838	0.838	0.838	0.838	2.636	3.352	3.352
Total G&A Expenses	4.379	3.424	4.198	3.017	3.243	3.243	3.243	3.243	3.243	3.243	3.243	3.243	15.018	12.972	12.972
GAAP Income Pre-Taxes and Pfd Div	17.591	-23.525	-7.737	27.410	-94.170	0.885	2.635	2.635	4.485	4.485	4.485	4.485	13.739	-88.015	17.940
Core Operating Income Pre-Pfd Div	10.728	9.139	7.263	7.237	6.988	6.102	6.102	6.102	6.102	6.102	6.102	6.102	34.367	25.294	24.408
Income Tax Provision and Pfd Div	0.278	0.774	0.774	0.774	0.774	0.774	0.774	0.774	0.774	0.774	0.774	0.774	2.600	3.096	3.096
GAAP Net Income	17.313	-24.299	-8.511	26.636	-94.944	0.111	1.861	1.861	3.711	3.711	3.711	3.711	11.139	-91.111	14.844
Core Operating Income	10.450	8.365	6.489	6.463	6.214	5.328	5.328	5.328	5.328	5.328	5.328	5.328	31.770	22.198	21.312
Shares Outstanding (EOP)	36.520	36.578	36.627	36.692	36.711	36.711	36.711	36.711	36.711	36.711	36.711	36.711	36.692	36.711	36.711
Shares Outstanding (Average)	33.139	36.533	36.572	36.750	36.711	36.711	36.711	36.711	36.711	36.711	36.711	36.711	35.833	36.711	36.711
GAAP EPS	0.52	-0.67	-0.23	0.72	-2.59	0.00	0.05	0.05	0.10	0.10	0.10	0.10	0.31	-2.48	0.40
Core Operating EPS	0.32	0.23	0.18	0.18	0.17	0.00	0.05	0.05	0.10	0.10	0.10	0.10	0.89	0.27	0.40
Dividends per Share	0.38	0.23	0.23	0.23	0.00	0.00	0.05	0.05	0.10	0.10	0.10	0.10	1.05	0.10	0.40
Return on Average Common Equity	14.33%	11.10%	9.36%	9.27%	10.31%	10.98%	10.98%	10.98%	10.98%	10.98%	10.97%	10.97%	11.01%	10.81%	10.97%
Common Shareholders Equity	317.595	285.473	269.361	288.397	193.958	194.069	194.095	194.120	194.160	194.200	194.240	194.280	288.397	194.120	194.280
Book Value per Share	8.70	7.80	7.35	7.86	5.28	5.29	5.29	5.29	5.29	5.29	5.29	5.29	7.86	5.29	5.29
Tangible Book Value per Share	8.70	7.80	7.35	7.86	5.28	5.29	5.29	5.29	5.29	5.29	5.29	5.29	7.86	5.29	5.29

Source: Company reports and Maxim Group estimates

DISCLOSURES

AGNC Investment Corp. Rating History as of 07/10/2020

powered by: BlueMatrix



Arlington Asset Investment Corp. Rating History as of 07/10/2020

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Ellington Financial Inc. Rating History as of 07/10/2020

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New York Mortgage Trust, Inc. Rating History as of 07/10/2020

powered by: BlueMatrix



Two Harbors Investment Corp. Rating History as of 07/10/2020

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution

As of: 07/12/20

		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	81%	49%
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither outperform nor underperform its relevant index over the next 12 months.	19%	38%
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	0%	0%

**See valuation section for company specific relevant indices*

I, Michael Diana, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in AGNC Investment Corp., Arlington Asset Investment Corp., Ellington Financial Inc., New York Mortgage Trust, Inc. and Two Harbors Investment Corp.

Maxim Group received compensation for investment banking services from AGNC Investment Corp., Arlington Asset Investment Corp. and New York Mortgage Trust, Inc. in the past 12 months.

Maxim Group expects to receive or intends to seek compensation for investment banking services from AGNC Investment Corp., Arlington Asset Investment Corp., Ellington Financial Inc., New York Mortgage Trust, Inc. and Two Harbors Investment Corp. in the next 3 months.

AGNC: For AGNC Investment Corp., we use the Dow Jones U.S. Mortgage REIT Index (DJUSMR) as the relevant index.

AI: For Arlington Asset Investment Corp., we use the Dow Jones US Mortgage REIT Index (DJUSMR) as the relevant index.

EFC: For Ellington Financial, we use the Dow Jones US Mortgage REIT Index (DJUSMR) as the relevant index.

NYMT: For New York Mortgage Trust, Inc., we use the Dow Jones U.S. Mortgage REIT Index (DJUSMR) as the relevant index.

TWO: For Two Harbors Investment Corp., we use the Dow Jones U.S. Mortgage REIT Index (DJUSMR) as the relevant index.

Valuation Methods

AGNC: We value AGNC Investment Corp. based on relative valuation, primarily using dividend yields and multiples of book value.

AI: We value Arlington Asset Investment Corp. based on relative valuation, primarily using dividend yields and multiples of book value.

EFC: We value Ellington Financial based on relative valuation, primarily using dividend yields and multiples of book value.

NYMT: We value New York Mortgage Trust, Inc. based on relative valuation, primarily using dividend yields and multiples of book value.

TWO: We value Two Harbors Investment Corp. based on relative valuation, primarily using dividend yields and multiples of book value.

Price Target and Investment Risks

AGNC: Aside from general market and other economic risks, risks particular to our AGNC Investment Corp. price target and rating include: (1) interest rate risk (including prepayment risk and extension risk); (2) liquidity risk (related to interest rates); (3) governmental risk; (4) regulatory risk; (5) hedging risk (hedges do not protect book value as modeled).

AI: Aside from general market and other economic risks, risks particular to our Arlington Asset Investment Corp. price target and rating include: (1) credit risk; (2) interest rate risk (including prepayment risk and extension risk); (3) liquidity risk; (4) government/regulatory risk; (5) hedging risk (hedges do not protect book value, as modeled); (6) risk of spread-widening (leading to lower book value); (7) continued uncertainty about reinstating the dividend.

EFC: Aside from general market and other economic risks, risks particular to our Ellington Financial price target and rating include: (1) credit risk; (2) interest rate risk (including prepayment risk and extension risk); (3) liquidity risk; (4) government/regulatory risk; (5) risk that competition for credit assets becomes so intense that the company's investment portfolio of credit assets shrinks.

NYMT: Aside from general market and economic risks, risks particular to our New York Mortgage Trust, Inc. rating and price target include: (1) credit risk; (2) interest rate risk (including prepayment risk and extension risk); (3) liquidity risk; (4) government/regulatory risk; (5) risk that competition for credit assets becomes so intense that the company's investment portfolio shrinks.

TWO: Aside from general market and other economic risks, risks particular to our Two Harbors Investment Corp. price target and rating include: (1) credit risk; (2) interest rate risk (including prepayment risk and extension risk); (3) liquidity risk; (4) governmental/regulatory risk; (5) hedging risk (hedges do not protect book value as modeled).

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST



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