Semper MBS Total Return Fund and Semper Short Duration Fund
Quarterly Conference Call
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Chairperson: Greg Parsons, CEO, Semper Capital Management, L.P

Definitions

Average coupon: The weighted-average gross interest rates of the pool of mortgages that underlie a mortgage-backed security (MBS) at the time the securities were issued.

Basis Points: A unit of measure that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Bloomberg Barclays MBS Index: Covers agency mortgage-backed pass-through securities - both fixed-rate and hybrid ARM - issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Pool aggregates must have at least $250 million outstanding with a weighted average maturity of at least 1 year. One cannot invest directly in an index.

Bloomberg Barclays 1-3 Year Government Index: The Index includes Treasury and Agency securities issued by the U.S. Government with a maturity from 1 up to (but not including) 3 years. This unmanaged Index contains only dollar-denominated, investment grade issues with at least $250 million par outstanding. One cannot invest directly in an index.

Cash Flow: Mortgages typically have required monthly interest and principal payments which are collected by servicers of mortgage-backed securities trusts, which in turn distribute these payments to MBS investors.

Duration: Measure of a bond or bond portfolio's sensitivity to changes in interest rates. Generally, the longer the duration, the greater the price change relative to interest rate movements.

Effective Duration: Calculation for bonds with cash flow variability. It takes into account that expected cash flows will fluctuate as interest rates change.

Liquidity: The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price.

Spread Duration: The sensitivity of the price of a bond to a 100-basis point change to its option-adjusted spread.

Standard Deviation: A measure of the dispersion of a set of data from its mean.

Tranches: Pieces of debt or securities designed to divide risk or group characteristics in order to be marketable to different investors.

IRR: Internal Rate of Return

TALF: Term Asset-Backed Securities Loan Facility

Yield to Maturity: Anticipated rate of return on a bond if held until the maturity date.

Par: The face value of a bond.

AUM: Assets Under Management.

RMBS: Residential Mortgage-backed Securities

CMBS: Commercial Mortgage-backed Securities

CLO: Collateralized Loan Obligations

CRT: Credit Risk Transfer

ARM: Adjustable-Rate Mortgage

NPL: Non-Performing Loan

ABS: Asset-Backed Securities

Credit Quality weights by rating are derived from the highest bond rating as determined by Standard & Poor's ("S&P"), Moody's, Fitch, DBRS, Morningstar, and Kroll. Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as S&P, Moody's, Fitch, DBRS, Morningstar, and Kroll. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. In limited situations when none of the six rating agencies have issued a formal rating, the Advisor will classify the security as nonrated.

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Operator: Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome everyone to the Semper MBS Total Return Fund and Semper Short Duration Fund Quarterly Call. The views expressed on this call are the current views of the participants and are not intended as a forecast or as investment recommendations. Any information provided, with respect to the fund, is as of the dates described and is subject to change at any time. Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that investor shares when returned may be worth more or less than their original cost. Current performance of the fund may be lower or higher than performance quoted. Performance data current to the most recent month end may be obtained by calling 855-736-7799. After the speakers' remarks, there will be a question and answer session. I will now turn the call over to Greg Parsons of Semper Capital Management.

Greg Parsons: Good afternoon. Thanks for calling in today for the First Quarter Semper Mutual Fund conference call. Our plan, as normal, will be to discuss both of the mutual funds during today's call. The Semper MBS Total Return Fund, as well as the Semper Short Duration Fund.

My name is Greg Parsons. I'm the CEO of Semper Capital Management, and I'm joined on today's call by Tom Mandel, Co-Founder of the firm, our CIO, and one of the portfolio managers. We'll slightly modify the normal script. We'll give a quick update on Semper, the firm, and we'll move into a quick overview of both products and where they are post this dislocation and we'll try and get to the Q&A portion of the call as fast as we can this time around.

For those of you who aren't familiar with Semper, we're a privately owned fixed-income asset management platform that is focused on opportunities within the structured credit space. Within this, we emphasize domestic non-Agency mortgage-backed strategies. We're headquartered in New York City and we have an office in London, which we opened to service our Dublin based UCITS fund. Firm-wide AUM is, approximately, $2.4 billion and we manage assets across a range of ’40 Act products, separate accounts, a UCITS fund, and an Active MBS Strategy we've managed coming on 25 years. We have four primary strategies, which we continue to deploy today, Total Return, Short Duration, Absolute Return, and Active MBS. On today's call, we'll focus on the Total Return Strategy and the Short Duration Strategy.

The investment thesis and focus of our Total Return Strategy, SEMMX has consistently centered around the U.S. mortgage-backed securities market since the fund first launched over six years ago in 2013. Since the launch of the fund, we see more opportunities within the non-Agency section of the market, which refers to the non-U.S. government guaranteed portion of the $7 trillion MBS market. The non-Agency market continues to evolve since peaking in size with the exception of the financial crisis 12 years ago. Post the dislocation, we saw over March

and April, we are more confident than ever is a strong both absolute and relative value proposition of the product.

The investment focus of our Short Duration Strategy, SEMIX is also centered around structured credit, but more broadly than our Total Return Strategy, with low duration and investment grade profile and diversified exposure across the space. Many investors have found this risk reward profile very attractive, particularly in uncertain markets. And again, as with SEMMX, the volatility and price dispersion we've seen over the last two months, we believe presents quite compelling opportunities on a go forward basis. I'll now turn the call over to Tom to talk quickly about both portfolios.

Tom Mandel: Thanks, Greg. Hi, everybody. Thank you for calling. Hope you can hear me OK, from my remote location, and as Greg mentioned, I will also keep my remarks short and look forward to answering questions, then, of course, if it turns out that there are any questions that we can't answer reasonably over the phone, we're certainly happy to follow up with each of our investors right away.

I'll just start with a couple of general observations. You know, obviously, everybody knows what's been going on with the markets and with the economy, and I just want to make the point that this is certainly a very different recession than we had the last time and what's really different about it is that this time we went into this event with a very strong real estate market. The typical homeowner today has a great deal of home equity built into their home, delinquencies have been low and trending lower, home price appreciation has been solid for a number of years and in fact, was accelerating early this year, and really importantly, there just has not been overbuilding in the residential real estate market coming out of the last financial crisis. So there's been continued good demand, there's been a sort of an under supply of homes, yet home affordability has remained pretty good with interest rates being as low as they have been. But, of course, despite that, this current economy is certainly impacting the real estate market, and it's certainly impacting consumers. One thing that we feel very good about is that Fannie Mae and Freddie Mac, as well as the federal government have really gotten ahead of the curve this time with a number of their actions that have been aimed at the real estate market. Things like forbearance programs that they've put in place, foreclosure moratoriums for example. Fannie Mae and Freddie Mac had a lot of experience in a natural disaster kind of event back with all the flooding and hurricanes that occurred back a few years, and their experience I think showed us that the appropriate use of forbearance can really help to mitigate the negative impact on homeowners and also on bondholders. Delinquencies really spiked after those events but today, something like 97% of those homeowners either have paid off their loans or they are current on their loans so there really was not a tremendous amount of ultimate dislocation from that event.

As you know and looking at our performance, there's been a tremendous amount of price weakness from this incredible spate of forced selling that we saw in March and in early April in our space. It happened in many cases because of levered investors like mortgage REITs having to sell bonds to meet margin calls. So prices declined quite a bit in both of our funds, both the Total Return Fund, which is non-Agency centric, as well as in our Short Duration Fund, which again, is invested in securitized debt but a little bit more broadly, not only in – non-Agency mortgage-backed securities, but also in CMBS, ABS and AAA rated CLOs.

Over the last couple of weeks, we have certainly seen prices stabilizing across both of our funds, but largely they have not rebounded and that's for a few reasons in our view. Number one, there has been no direct Fed support for non-Agency mortgages as there has for agency mortgages, for high-quality corporates, for ABS, and for high-quality CLOs as well. We think that might change, but so far there's been no direct support. Number two, while we have seen a lot of opportunistic funds being launched, that we believe will be investing in this sector sooner rather than later, we really have not seen a lot of new outside money coming in yet. And number three, this is a very complex sector that we invest in, so we think it's frankly difficult in these uncertain times, for new investors to commit to giving significant capital to these kinds of securities, but we think it will happen.

We firmly believe that both the administration and the Fed view the private mortgage market as being very critical to the future of residential real estate. They've been working for years on trying to find ways to have Fannie Mae and Freddie Mac share risk with the private sector. Agency credit risk transfer market is certainly one example of that and we think that they're going to continue to support this private market to the extent it is necessary because they do believe that – number one, real estate is a very important part of our economy and number two, the private market is very important to help support what the agencies are doing with respect to the mortgage market.

So far across both of our portfolios, our bonds' cash flows are acting as we would have expected. We're currently in the process of reviewing current remittance data we'll have a number of observations over the next couple of days but from what we know so far, our bonds are doing exactly what we would've expected them to do in terms of their cash flow characteristics. We do believe that today's prices are representative of this continued distress with respect to the supply demand mismatch, and not a reflection of the fundamental credit quality and we think that as we continue to look at this data over the next few months I think that will really come to pass.

Let me turn now for a moment to performance and I'm just going to focus on year-to-date performance because performance for March certainly was the largest portion of performance that we saw for the whole quarter. So for the Total Return Fund, institutional share class,

SEMMX performance for the three-month period net of fees was negative 20.85% and that compares to a 2.82% for its benchmark index, the Bloomberg Barclays US MBS Index. For the Short Duration Fund for this 3-month period ending March 31st, performance for the institutional class SEMIX net of fees was -10.10%, that contrasts to the Bloomberg Barclays 1-3 Year Government Index performance, which was 2.73% during that period.

In terms of attribution for this performance, starting first with a Total Return Fund SEMMX, the portfolio generated interest income of around 1.2% for the quarter, which is consistent with what it had done the prior quarter. Price depreciation was the primary cause of underperformance with again around 21% of price depreciation. Most of that in the form of unrealized gains and we saw this price depreciation across a number of sectors. The largest negative contributor to performance was agency credit risk transfer bonds and this happened largely because that is the most liquid portion of this non-Agency sector, and really was in the crosshairs of forced selling that we saw in the last three weeks in March and the first week of April. A few other sectors including single-family rental securitizations (SFR), which again, also a very liquid sector has significant contribution in negative performance, as well as most of the non-Agency positions that we hold in the Total Return Fund.

Turning to performance attribution for the Short Duration Fund SEMIX during that same one quarter period, again, we saw interest income of about 85 basis points in the quarter which was very consistent with what we saw a quarter ago, with remainder about 10% negative performance coming from price depreciation and once again, mostly unrealized price depreciation. Just as in the Total Return Fund, the largest contributor to negative performance with about a negative 4%, total attribution was the agency credit risk transfer (CRT) portion of the portfolio, which was around 20% of the portfolio at the time. The portfolio also had negative contribution to performance from single-family rental securitizations, and then away from RMBS, around a -3% contribution to performance from our asset-backed securities, and about -3.5% from our CLO securities. So again, we saw price depreciation really across the board, although the non-Agency component was certainly the largest.

So far this month, the Total Return Fund's performance is a little bit negative, but since April 8th, which was the last day before the Good Friday Easter weekend, since that date, the Total Return Fund performance is positive about 1.7%. So again we have certainly seen some stability over this last roughly two and a half week period. The Short Duration Fund for the full month has a positive return of around 96 basis points and since that same date, April 8th, performance in the Short Duration Fund has been around positive 1.1%. Once again, representative of stabilization of prices across these sectors.

Now let me turn and talk for a moment about the current allocations in the portfolios and how they've changed since the beginning of the quarter. So first talking about the Total Return

Fund SEMMX, at the end of December we had about a 22% allocation to legacy bonds, these are pre-financial crisis RMBS, today that percentage is up to 30%. Other non-Agency sectors, Jumbo 2.0 securitizations, we're at 6% going into the quarter and today are at 7%, so up just slightly higher. Second lien securitizations began the quarter at 5% and are currently at about 12%. RPLs or re-performing loans started the quarter at 6% and today are at 8%. Non-qualified mortgage or non-Q.M. have risen from about 3% to 6% during this period. Seasoned hybrid arms have increased from about 4% to 7% during this period and non-performing loan securitizations have also risen from about a 6% allocation of the portfolio to around 13% today. Single family rental securitizations started the quarter at 13% and today they are about 4% while agency credit risk transfer started the period at 22% and today are at 11%. So the two changes in the SFR and CRT allocations are representative of the fact that, as we did sell some securities during March and in early April to meet redemption activity, we sold many securities out of those two sectors, given their liquidity and relatively narrower bid-ask spread. The CMBS allocation changed from about 5% down to 3% at the end of the quarter and then our small-balanced commercial securitizations rose just slightly from about 1% to 2%.

In terms of changes in overall characteristics, the portfolio began the quarter with a yield of around 3.5%. That yield fell to around 3.3% by the end of February, as our bonds were rallying across most sectors and yields were coming down. But with the price depreciation that we witnessed in March and early April, the yield on the portfolio is now in excess of 8.5%. The duration of the portfolio started the quarter at 1.5 years. And today the duration of the portfolio was around 2.3 years. That effective model duration, which is a little bit longer today, is representative of two things -number one, it represents the fact that we sold some floating rate securities, number two, because we're expecting a modest decline in prepayment activity over this next few months, during the social distancing and during the forbearance program sort of rollout that we're seeing today, that is expected to extend the average lives of some of our bonds a little bit. So those two things in combination get us to a duration of around 2.3 years. The spread duration remains unchanged at around 4.5 years, and the average dollar price of the portfolio has declined from around $96 down to the high $70's, again, representative of the fact that most of these bonds fell in price by 15% to 20%. Our allocation of floating rate securities has declined from 57% to 47% today, certainly we are not looking for any near term increase in short-term rates and therefore it's certainly less important for us to own floating rate paper today.

Next, I will turn to the portfolio characteristics of the Short Duration Fund. At the end of last year, we had about a 1% allocation to legacy RMBS which continues to be the same today. Our allocation to Jumbo 2.0s was 4%, today it's 5%. Our allocation to 2nd lien securitizations was 1%, today just 3%. Non-qualified mortgage allocation has remained consistent at 2%. Non-performing loan securitizations have risen slightly from 4% to 6%. Resecuritizations

which are new issues supported by legacy collateral have remained the same at around 2% and then single family rental securitizations have declined from 6% to 3% and agency creditor risk transfer have declined from 22% to 18%. And again, as we were selling some bonds in March, we were primarily focused on selling bonds in those two sectors. Our total allocation to RMBS today remains the same at around 44%. Our commercial mortgage-backed securities allocation today is 14%, which is essentially unchanged from the beginning of the quarter and that represents relatively unchanged value in our primary allocation of CMBS which is multifamily housing securitizations issued by both Fannie Mae and Freddie Mac. In the asset-backed security space, our allocation has gone up from about 15% to about 22% and that continues to be a combination of AAA rated credit cards and autos, as well as an allocation to investment grade, subprime auto asset-backed securitizations. And then our CLO allocation, which is 100% AAA rated CLOs, has decreased slightly from a 23% allocation to a 21% allocation. And just one quick comment on AAA CLOs, certainly the CLO sector has been in the press a lot in terms of potential downgrades to some of the lower rated tranches and in fact, if that happens and if certain triggers are crossed, then a lot of the cash flows are turbo-ed up to this AAA class. So in fact, these AAA ABS will shorten and strengthen as other CLOs, potentially remain wide and are underperforming. In terms of the yield of the portfolio, we started the year at around 2.7%. That yield had declined to about 2.5% by the end of February. Today with the price depreciation in the bonds that we hold, the yield is up, in excess of 7.5 percent. The effective duration has also extended in this portfolio from around 0.5 years to around 1.3 years. It's the same reasons and it is our intention to bring that duration back down slowly, although we don't feel that we're under any very near-term time pressure because we do not think interest rates are going up. The average price of the portfolio declined from about $101 at the beginning of the year to about $93 today and the percentage of floating rate securities that we own has decreased slightly from around 68% to around 59%.

Finally, just to briefly describe a couple more yield numbers, the SEC yield for SEMMX, the institutional class for last month was 5.28%, which of course, is up quite a bit. The SEC yield for SEMIX, the Short Duration institutional class last month was 3.39%, subsidized and 3.29% unsubsidized so again it was up quite a bit. The dividend rate for SEMMX is in the neighborhood of 6% at this point, and for SEMIX is around 3% at this point. So certainly the decline in prices has led to some increase in yield, it will not completely show up in the distribution yield because we do not pay dividends based on price accretion, but rather, on net interest income. So let me at this point turn it back to Greg, and then again, I look forward to answering your questions.

Greg Parsons: Thanks, Tom. Great overview. Just one quick note, because again we've obviously been having lots of conversations with a wide swath of investors over the last six, eight weeks. Both products, same macro perspective, while under redemptive pressure, marginally redemptive

pressure over the course of March, were able to successfully navigate that redemptive pressure ensure liquidity for investors that needed it and not cause any impairment to the remaining funds. So it is and remains our thesis that the price dispersion involved is very much value dispersion vs value destruction. Both products from ability or need to meet redemptions over the last six weeks we're able to do so successfully, leaving the structural value of the portfolio intact. Specially with what's going on in light of the market, we'll turn it over to questions and what can't answer today, happy to again follow up on one off basis for those that need more time, so we'll turn it over to questions now.

Operator: Thank you. If you would like to ask a question, please press "star" "1" on your telephone handset. We'll pause briefly to compile the Q&A roster. And again, that is "star" "1" to ask a question. Our first question comes from Brian Langan from Morgan Stanley, your line is open.

Brian Langan: Thank you. Can you just give us some parameters as far as the time as you expect this opportunity to develop?

Greg Parsons: Well, look without crystal ball, I think it's our perspective based on the ongoing credit work and our analysis of the collateral and how we expected to perform in multiple scenarios, that the dislocation has worked out of the market faster versus slower – weeks and months, versus months and years. As frustrating as it's been this increment has not "bazookad" our asset class yet, so as a potential catalyst, there remains some outstanding significant catalysts. And as Tom mentioned, we are getting April remittance data as we speak and it's our perspective over the coming months as the data continues to support the thesis and show that you're not seeing disruptions of cash flows kind of at the bond level or the loan level, that time in and of itself will help work through this what primarily was a supply demand dynamic in our market. Right so no crystal ball, but certainly, our expectation is that we recapture the majority of this dislocation faster versus slower, weeks and months, not months and years.

Tom Mandel: And if I could just add quickly, one thing that we do like about mortgage-backed securities is that they are self-amortizing. So every month, we are receiving some portion of our principal back at par. So I think that provides a little bit of upward support in terms of recovering some of their price dislocation as well.

Brian Langan: That’s a good point. Thank you.

Operator: Thank you. Our next question comes from Rod from UBS. Your line is open.

Rod Vonliski : Hey Tom thanks for the brief this afternoon. Could you talk a little bit about recovery in the CRT- B1 and B2 tranches? Where does that come back? And where does that risk linger? And how much of that is permanently impaired?

Tom Mandel: OK. So, I think, at this point so B1s and B2s are two different subordinated classes of agency credit risk transfer bonds. So our view is that the B1s have appropriate credit enhancement as well as enough support from underlying loans that it will take a lot to have impairment of those bonds. If anything, I think, those bonds' average lives could get extended if there are some delinquency triggers and delinquency triggers could be caused by forbearance activity, even though we are still getting paid principal and interest and even though we still believe that we're being very well protected by the forbearance activities. So I think, for the B1 it could take months before remittance data and comfort in how this recovery is shaping up before we get back the majority of that price depreciation although I will say that those bonds have traded up in price pretty significantly this month by 20-30 points. The B2s, which are subordinated to the B1s, if there is a profile that we'll have to sort of wait and see how this recovery comes about, it's that one. We think that there are many, many outcomes in which we do not lose any principle in the B2s, but there certainly can be some very severe economic outcomes in which there would be some permanent price loss. I guess the positive there is that we do not expect those bonds to go down further in price because they are already very depressed, we think that we have a positive IRR in those bonds in virtually all scenarios. But I think that's one that I'll be able to provide you with a lot more information about in a couple of months.

Rod Vonliski : Thank you very much. And maybe last, as a follow up is how about the non-performing loan?

Tom Mandel: Non-performing loans, we actually feel very good about those. They are structured to provide a lot of protection, that has been a very illiquid sector and therefore, one where there's not been a whole lot of activity over this past couple of months. What's different and unique about the non-performing loan securitizations, is that really there are special servicers that have bought either REO or a non-performing or underperforming loans from Fannie Mae, Freddie Mac large banks, and these special servicers specialize in working on asset dispositions. Since these programs began years and years ago, they have never failed to return money before the three-year call feature on these bonds when interest rates typically go up by 3% and we think that while there may be a little bit of a near-term delay for bonds that have call provisions in 2020, there certainly could be some delay because there will be a delay in real estate transactions. We just think that there's so much credit enhancement supporting these deals that these will revert to their prior form.

Rod Vonliski : I guess, the last thing – and then, Operator, you can turn it to the next caller – would be that you mentioned a little bit about having to sell some bonds. Where are we as far as realizations, realize losses on the total return portfolio?

Tom Mandel: Greg, do you want to answer that?

Greg Parsons: Yes. So, again, overly simplistic. Again we were able to manage the redemptive process, were overly simplistic if the fund is down 22% from beginning of the time period, if prices were to snap back – the real snap back tomorrow, we would have impaired less than 75 basis points of value So again, if we're down 22% in prices, snapback tomorrow would give you back 21.25%. I believe on the short duration portfolio, the marginal impairment is even smaller on a basis point perspective. So both funds well under 1 percent of realized impairments.

Rod Vonliski : Thank you.

Operator: Thank you. And our next question comes from Michael O'Rourke from Oppenheimer, your line is open.

Michael O'Rourke: Great. Yes. Thank you for doing this call. Can you confirm the allocation to non-Agency mortgage backeds? And also, can you confirm when they were sold? How many were sold? Because you mentioned that the price is now in the high $70s and I listened to a PIMCO call and they said that they were buying them in the $60s. So I was just curious about the differential there. And then also, can you just talk about spreads over treasuries? What is the start spread and then what is it now? And then just judging by your credit work, again, it could take a year could take six months, who knows. But where do you think the spreads would be under normal conditions?

Tom Mandel: So spreads before this event started anywhere from 1.5% to 4% range. And today, that range is much, much broader, there are now bonds that are yielding as little as 2.5% over treasuries, all the way to yielding over 1,000 basis points, so over 10% spread. So it's a very, very broad range of yield spreads today and I think what we have seen in our sector, similarly to some other bond sectors, is that the AAA rated paper, which is really what the Fed has been supporting, that paper has come in the most, not all the way, but that's come in the most and the lower-rated paper has come in much less than that. I think I would expect bid-ask spreads to continue to improve from where they are today and I think that once we get beyond this, it's probably at least a few months from now, I think that we should see that spreads can get back fairly close to where they were before probably not quite as tight because the spreads we saw in January, February were, basically, as tight as we've seen them in a number of years. So spreads will come in, bid-ask will narrow, these bonds will go up in price, in our view. And in terms of the dollar prices, I guess, I'm not sure exactly what PIMCO is really referring to. Certainly there are agency credit risk transfer bonds, the M2s which are mezzanine bonds that traded in the $60s, a few weeks ago, there are legacy bonds that trade down that sort of level, but that's really got more to do with their structure. It's such a diverse bespoke kind of a sector that it's hard to talk about average prices.

Michael O'Rourke: And then in terms of the allocation to non-Agencies and also to the amount of redemptions, could you address that as well please?

Tom Mandel: In the Short Duration Fund, we have around a 45% allocation to non-Agency and we had, I think, around, roughly 25% redemptions. In the Total Return Fund, we have around a 95% allocation to non-Agency and in general that's the bulk of the portfolio will, generally, be in non-agencies, and redemption activity was in the neighborhood of 30%.

Michael O'Rourke: Got it. And then the so assets under management would that hold that $2.4 billion you had now is down from a much higher note ...

Greg Parsons: No.

Michael O'Rourke: ... due to the redemptions. No?

Greg Parsons: The $2.4 billion is assets as of today. That number is down from a peak across our products that is inclusive of redemptive activity of the mutual funds and performance, AUM slippage and performance, but the $2.4 billion is where we are today.

Michael O'Rourke: I understand, I'm saying the redemption activity of 30%, it would be correct to say that 30% times the amount above gets you the $2.4 billion. So right now you are where you are.

Tom Mandel: Yes that and change of performance. Yes.

Michael O'Rourke: OK. All right. OK, thank you.

Tom Mandel: Thank you.

Operator: Thank you, and our next question comes from Chad Adams from UBS. Your line is open.

Chad Adams: Hey, guys, thanks for taking the time today and I'll just ask a really quick question is understanding how the space has evolved over the last couple of months, when we look at where to be deploying capital, because obviously we all don't have all of our money in these types of strategies. We have some conservative, we have a little more aggressive and at these kinds of yield levels, effectively, were competing for an allocation in our portfolio, whether it's your high yields, your typical incomes. I think what we're worried about, and I can't speak for everyone, is that the juice looks good whether you end up distributing a 6% or somewhere in between that kind of carry, and then also your effective distribution. That's some good juice, especially when you've got the Treasury at "point O nothing", but is it worth the potential squeeze? I think that's what we're all trying to figure out with regards to adding more money or coming back into this space is, "OK, we go ahead and put 5% or whatever it might be, back

towards this and start buying in again." and then we get our face ripped off again by some technical factor, whether it's another mutual fund out there decides to sell $1 billion on a Sunday. Again, whatever that might be I think that is a bit of a concern because we understand the risk and high yield, the spreads there, but someone has one too many drinks the night before and decides to hit redeemed, does that blow us up again? And here we are talking a month later about, "Hey, man, we loved it at six, but it's even better at 8.5," that would be my concern. I'll go ahead and shut up now.

Greg Parsons: Look, obviously, a perspective, right, the supply demand dynamic that crushed our space. Again, the fundamental thesis, this is not the market forward looking, being an efficient modeling of impaired cash flows, right. This is the perfect storm of supply demand dynamics, where not only was there a glut of supply all in a state of distress, there was a market environment created where folks were in market and they were in market with the mandate of get cash and get cash now, and it wasn't any one particular business. It wasn't any one particular channel, right? It was the long-only multi-strat guys, when mortgages were down five, but high yield was down 25, selling mortgages. At the same time that the long-only mortgage guys were meeting redemptions, at the same time that levered mortgage REITs were facing margin call, at the same time the levered mortgage guys were facing margin call, at the same time that it was quarter end, at the same time, it was global risk off, kind of etc. etc.right. So the perfect storm of supply dynamics – and then met with a complete evaporation of demand, right? It wasn't that the normal buying universe that would step up as these assets got intellectually attractive, right? And whether it was the broker dealer community or the dealers that primarily offer liquidity in times of stress, who were told, "Right, you're not adding risk, right? We're at the early stage of pandemic, shut down your desk, you're not adding risk." Or it was the levered funds that themselves, it was the long-only folks and the levered folks that normally were buyers of the risk or the sub sector. So it was truly was a perfect storm of both supply and demand and, again, at least, qualitatively, it certainly feels like the sector, right? If it was large, depending on how you're slicing and dicing it, it was trading at extremely tight levels, and all of the conversations were mortgages as a very strong relative value opportunity, right, the new framing now, I mean, the thesis that mortgages are attractive, and this dislocation is presented almost a tactical trade opportunity on top of this fundamentally sound relative value proposition, not unique to Semper. I could laundry list, at least, $15 billion of stated demand that's being raised right now to go after the space. And so, if you say backup six weeks ago and said, "Greg, what is the worst case scenario or paint to me the environment, the sector does what it's done", I wouldn't have painted this. But if you said, "What are the chances of the double dip of three months from now were all wrong and there is a return of, again the supply dynamics that you know the perfect storm, relative to other things going on in the markets, I just don't – levered funds have all been readjusted forcibly, right? Mortgage REITs have all been readjusted forcibly. You know, prices, again on the thesis that it's not kind of

impairment of cash flows and that if people aren't rerunning models, saying, "Look, I think, CRT last cash flows, which was yielding 1.6%, 1.7% is now yielding 8% and that's appropriate articulation of the value prop and you've seen a bounce in other portions, right, where the Fed has stepped in, right? You've seen corporate high yield bounce right and equity markets bounce right? Our view is , we got taken out to the woodshed. It wasn't a function of credit. Even in forward-looking net extremely punitive credit environments, the market is oversold dramatically. And so when we pitch that up against other portions of the markets, when you start saying, "Look, dollars aren't fungible, they're going to mortgages or they're going to high yield or they're going to emerging markets or they're going to equities." You know, never say never but certainly feel that again, the market is wrung out too dramatically a lot of price at that supply demand dynamics. Again, like literally five weeks ago, six weeks ago, I'm standing on your doorstep March 1, talking about the extremely strong kind of relative value proposition of mortgage security or for non-Agency, right, the strength in real estate, the strength of the homeowner, the fragmentation of the space, the complexity premium of the space, the low sensitivity to rates, right, all the reasons why we say, by mortgage credit versus high yield, by mortgage credit versus other opportunistic fixed income, all those in our mind – all those fundamental value levers have only been heightened. and now, the only way, you get all those more fundamental value levers on top of the fact that market sold off 20 points just as a function of folks needed to sell and they need to cash. There still is an overhang of supply in market. I think we would characterize that supply has moved from supply in a state of distress, to kind of supply in a state of stress. And as opposed to that pushing prices down you're now seeing a return of demand where demand – again the market is not "healthy". And by healthy I mean, look, you can trade all the bonds at the market any day that you want, right? The bid-ask is still wide, but demand has returned opportunistically that kind of continued overhang of supplies no longer pushing prices down and so, as some of this capital that's being raised is put to work as we continue to get remittance data, as time continues to heal core, etc. etc., never say never but certainly feel that on a risk adjusted basis pick us, pick somebody else, right? This is quite an opportunity set as large or as significant as what was created in '08 in mortgages, that's sitting in front of us.

Chad Adams: I'm sitting here trying to just not click buy every damn day on these things to maintain prudence. So I'm with you, man. I'm just laying out the other side of that coin.

Greg Parsons: No, certainly.

Operator: Thank you. Our next question comes from David Cariani from Centura Wealth Advisors. Your line is open.

David Cariani: Hey guys, thanks for the call. Quick question, you kind of blazed through it earlier and I just want to recap. Where are you and are you not seeing support from the various Fed programs

which sort of sectors or assets? It sounds like a lot of you are not, but are there any that you are?

Tom Mandel: Yes, that's correct. So the Short Duration Fund is benefiting from some modest support with respect to AAA CLOs and AAA asset backs. But with respect to non-Agency mortgages and by that we would also include agency credit risk transfer bonds, at the present, we are not seeing any direct support with the exception of one dealer financing facility, which does cover investment grade agency CRT. But really there's a big difference between what they've done for this space versus other sectors.

David Cariani: So where are you are seeing it in the CLO in the asset backed, how much of an impact were they having there?

Tom Mandel: Well, really, those securities have rebounded from, very briefly trading at spreads of 300 or 400 over back to more like 200 over, so they're still not as far as they need to get, these are bonds that were trading at, call it 100 over a month and a half or two months ago. I think once you start to see some new issuance under the TALF program then, I think you'll see spreads come in more. So the bottom line is that these are short, high-quality securities that maybe they traded down by 5 points in price and now they've recaptured half of that.

David Cariani: OK, and everything else, you're just not seeing the help.

Tom Mandel: Yes, that's correct.

David Cariani: OK.

Tom Mandel: Everyone, let me just throw out there. I think we probably have time to take one more question, if that's OK. But then, of course, please contact us directly for more questions or information at your convenience. So let's go to the one more question, please.

Operator: Thank you. And our last question comes from Joe Escalada from Bolthouse Investments. Your line is open.

Joe Escalada: Hi, it's good to hear that you guys are still kicking. My question is based on what you've seen from remittances, based on your view on the health of the borrower, if we see no substantial increase in hiring, if we continue to see some governmental support for people who have been laid off, et cetera, if this just continues for like three more months, which sectors get hit the worst? So I'm not asking about the structure of the products or whether or not there's going to be no changes in governmental buying, I'm asking about the actual borrower.

Tom Mandel: I think that the borrowers, the more prolonged this is, it's the lower quality borrowers that will tend to have less home equity and probably have mortgage insurance and own smaller homes that are probably most likely to suffer the most. Although, we don't think for this class for another few months, we don't think that's ultimately going to be material because of the forbearance activities are there in place. We think it has to be way more than a few more months before any borrowers become meaningfully impaired. But, I think, if anyone is impaired, it would be those the sort of the lower income homeowners. And you would see them across agency credit risk transfer securitizations, and across the non-Q.M. securitizations, primarily.

Joe Escalada: Thank you. There's been some chatter that it would go the other way that like, there are enough payments towards people who've been laid off, that they would actually have more money in their pockets and less things to spend it on, and, therefore, they might be prepaying. Have you seen anything like that? Or is this complete conjecture of it and they were just making up or wondering about?

Tom Mandel: Well, I think at this point, it is conjecture until we see what actually happens I think that many of these lower income homeowners will take advantage of forbearance programs. And so while they're in forbearance, they are not going to be paying their mortgages. I think that the flip side of that could be looking at what's happening to jumbo or very high quality borrowers who may have more expensive homes, you know, if they're not qualifying for any of the government support, I guess theoretically they could have trouble though. You know one would assume that with the amount of home equity they have, and the amount of assets they probably have to be able to qualify for those mortgages, that they should be able to withstand more than a few months. In addition, they also have those programs -also offer forbearance opportunities. So high income homeowners can also forbear.

Joe Escalada: Thank you very much.

Tom Mandel: Thank you.

Operator: Thank you. And I'll turn the call back to the management for closing comments.

Greg Parsons: Great, again, challenging times. We appreciate everyone's support and participation in today's call. I know we cut it short. Tom and I are, obviously, available for one off, so please continue to reach out if there's further questions about the opportunity set. Hope everyone, their families, their co-workers, their friends all stay safe and again, appreciate the interest and support. Have a great day.

Operator: Thank you, ladies and gentlemen for joining us today. This concludes our call. And you may now disconnect.