Semper MBS Total Return Fund Quarterly Conference Call

October 26, 2017, 11:30 a.m., E.T.

Chairperson: Greg Parsons, CEO, Semper Capital Management, L.P.

Definitions:

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.

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 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.

Bloomberg Barclays Aggregate Index: The Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. One cannot invest directly in an index.

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.

NAV: Net Asset Value, i.e. the value of the Fund's assets minus the value of its liabilities.

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

Correlation: Statistic measure of how two securities move in relation to each other.

SEC Yield: A standard yield calculation developed by the Securities and Exchange Commission (SEC) that is based on the most recent 30-day period covered by a fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period, after the deduction of the fund's expenses.

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

S&P 500: An index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists.

Indicated yield: The dividend yield that a share of stock would return based on its current indicated dividend. The share class referenced on the conference call is SEMIX.

Par: The face value of a bond.

SASB: Single asset single borrower.

Alt-A: A classification of mortgages where the risk profile falls between prime and subprime.

Credit Quality weights by rating are derived from the highest bond rating as determined by Standard & Poor's ("S&P"), Moody's or Fitch. 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 and Fitch. 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 three rating agencies have issued a formal rating, the Advisor will classify the security as nonrated.

Morningstar Proprietary Ratings reflect risk-adjusted performance as of 9/30/2017. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history, without adjustment for sales loads. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. As of 9/30/17 the Semper MBS Total Return Fund received a 5-Star Overall Morningstar Rating™ and 5-Star 3-Year Morningstar Rating™ among 260 non-traditional bond funds. The rating is specific to SEMMX and SEMPX and does not apply to other share classes of the Fund. The Semper Short Duration Fund received a 5-Star Overall Morningstar Rating™ and 5-Star 3-Year Morningstar Rating™ among 135 ultrashort-term bond funds. The Fund received a 5 star rating for the 5 year period out of 102 Ultrashort- term bond funds. The rating is specific to SEMIX and SEMRX. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics.

Diversification does not guarantee a profit or protect against a loss in declining markets. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Past performance does not guarantee future results.

Operator: Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome everyone to Semper MBS Total Return Fund Quarterly call. The views expressed on this call are the current views of the participant and are not intended as a forecast or as investment recommendation. Any information provided with respect to the fund is as of the date 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 an investor's shares when redeemed may be worth more or less than their original cost. Current performance at the fund may be higher or lower than the 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. To ask a question, please press star and the number one on your telephone keypad. To withdraw your question at, anytime, please press the pound key. I will now turn the call over to Greg Parsons of Semper Capital Management.

Greg Parsons: Well, thank you. I want to start off saying thank you to all for calling in to our quarterly call. My name is Greg Parsons and I'm the CEO of Semper Capital Management. And joining on today's call, Tom Mandel, Co-founder of the firm and a Senior Portfolio Manager within the investment team. As we've done historically, Tom and I plan to spend 15 to 20 minutes providing update on the Semper MBS total return fund, a mortgage focused mutual fund that we launched in mid-2013. And for that, we'll break the call into three parts. First, an update on Semper and what we're seeing in the overall markets, second, Tom will then provide an update on the fund and an overview of our outlook and lastly, we'll open-up to questions. As many of you know, Semper's a privately-owned asset management platform that focuses our efforts on opportunities within the structured credit space, specifically residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), and asset-backed securities (ABS). Our AUM is now over $1.8 billion across a range of structured credit strategies that include absolute return, total return and index space solutions and our skill set is available across multiple product format to include institutional separate accounts, private funds and public funds. I'm pleased to say that we just crossed the 25-year mark since our founding in 1992 and our MBS total return funds has crossed one billion. Our platform is as strong as it has ever been with respect to people, resources and products and we believe our distinctive positioning within the space will allow us to continue to capitalize on opportunities for our clients and partners.

Let me share some of Semper's current thoughts related to the opportunity we are seeing in the market today. First, even at today's levels with most non-agency MBS at or close to pre-crisis tights, we continue to see opportunities to drive value in both an absolute and relative basis within the credit portion of the structured credit universe. Strengthening real estate fundamentals, the structure of the market and strong technical factors continue to work together to create what we believe to be one of if not the best groups, best returns in the fixed-income landscape. With respect to credit fundamentals, home price appreciation (HPA) is considered a very solid space with most national indices showing 5% annualized HPA, Despite rising home prices in most locations, home affordability remains high compared to historical affordability levels.

Second, as the universe of these legacy asset continues to season and the overall credit quality of the residential real estate space continues to improve, we see growing opportunities for a nimble opportunistic strategy to invest in attractively valued securities and mortgage assets. While the legacy non-agency RMBS market is now roughly $500 billion in size and we think this might present challenges to some of the larger players in the space, Semper continues to be able to aggressively navigate opportunistically within this market. Our size at both the firm level and at the fund level allows us to take advantage of opportunities our competitive set just can't access.

Third, our sector remains extremely well-positioned within the fixed-income landscape with respect to interest rates and price volatility. The fund's performance and positioning has continued to support that thesis. We've had another modest rise in yields with the ten year moving back up to 2.40% from a recent low just around 2% and performance remained positive. To summarize our views from a high level, we believe that the mortgage credit sector continues to offer a higher yield profile, a lower duration profile, low correlation to fixed-income assets based on continued improvement of real estate credit fundamentals. All these factors continue to make RMBS a great diversifier and offer the potential for higher risk adjusted return within a portfolio. I'll now turn the call over to Tom to talk about the fund.

Tom Mandel: Thank you. The Total Return Fund is now well into its fifth year of operation and we remain very pleased with performance to date. We remain pleased with our current positioning and also with our outlook for the fund in the sectors that we're investing in. The fund continues to have its five-star rating from Morningstar as it has since we crossed the 3 year mark last year within the non-traditional bond fund universe. We saw continued growth again this quarter with assets increasing by about $130 million or about 15% to just under $1.1 billion. We continue to estimate that the fund has close to another $2 billion of incremental capacity.

The fund's primary investment strategy remains the same, investing in mortgage securities and we have a target minimum allocation of 80% to mortgage securities and our primary second concentration once again is in the non-agency RMBS space. The third quarter that we just completed was another good one for risk assets with solid performance as well as low volatility. The Fed held off as expected on another rate hike and they also announced the very gradual tapering which started this month which is also expected. The 10 year started and ended the quarter at about 2.30% and of course it had a brief decline at a little bit above 2% in early September. The Bloomberg Barclays Aggregate Index which is a broad measure of the overall domestic investment grade bond market returned 85 basis points during the quarter and the Bloomberg Barclays MBS Index which is the fund's benchmark index returned 96 basis points.

Looking at fund performance, for the third quarter, the institutional class, SEMMX, returned positive 1.55% net versus the 96 basis points for the MBS index, an excess return of about 60 basis points. Year-to-date, the institutional class has return 5.09%, that's through September, versus 2.32% for the index. For the trailing one year period, the institutional class return 6.45% net versus just 30 basis points for the index and finally, annualized from inception back on July 22nd of 2013 through September 30th, net performance for the institutional class annualized was 7.33% versus the MBS index return of 2.87%, an excess return of 4.50% per year. The fund's total rate of return has now been positive for the last 19 months and for 48 of its 50 months or about 95% of the time in contrast to the index which has been positive about two thirds of the time. The primary source of positive performance during the third quarter once again was interest income with a contribution of about 1%. Prices in the fund rose about ½% on average during the period and these price gains were largely spread across almost all the sectors we're invested in. Legacy paper rose some, we also benefited from some repositioning during a period of volatility that we had in the agency CRT or credit risk transfer sector, and then realized gains contribute about 30 basis points of performance. The share price in the institutional class ended the quarter at $10.70 up from $10.66 at the beginning of the quarter.

Now, let me talk about composition of the fund for a few minutes. In terms of sector weightings at the end of September, the portfolio consisted of – had a 68% allocation to non-agency RMBS and of that 68%, 15% were prime bonds, 16% in the Alt-A category, 29% in the subprime category, approximately 25% in the NPL / 2.0 space and then finally about 15% allocation to agency CRT bonds. The portfolio also had a 10% allocation to non-agency CMBS and of that, just 2% was in the small balance commercial space. The asset-backed sector made up 19% and that includes about a 7% allocation to single-family rental securitizations. In addition the portfolio had about 1% balance in cash equivalents and another 1% in agency MBS. So let me just focus on a few of these sector data points to highlight. First, the new issue sectors, including the agency CRT, deals as well as new non-agency originations plus SFR makes up about 40% of our RMBS allocation with the other 60% remaining in legacy paper including the prime, subprime, and Alt-A. Generally speaking, these new sectors offer more liquidity, they're actively traded by more dealers, they're often securitized by loans made under stricter underwriting standards and they often have some structural differences relative to legacy paper. This growing universe of these NexGen bonds gives us more tools to make tactical decisions with respect to liquidity, with respect to rate sensitivity, with respect to portfolio quality, exposure to real estate credit fundamentals, call risk, litigation recoveries and so on.

Second, we have further reduced our exposure to CMBS which I mentioned is now down to about 10%. We remain generally cautious on the CMBS market with our favorite sector being small balance commercial sector due to the highly diversified collateral pools combined with fully amortizing loans. We've also liked single asset single borrower deals. With respect to conduit CMBS which is the more traditional sector or more traditional structure in the CMBS sector, we think that the risk return profile has generally been unattractive for a number of reasons. Number one, we think that the underlying collateral is generally fully valued. Number two, certain collateral types like retail are clearly at risk from both a cash flow and a future credit perspective. Next, new issue CMBS are often structured as 10-year fixed rate bullets and we have not liked that risk return profile. Also, we believe that today's underwriting standards in many cases have generally deteriorated as conduit originators fight for business and volume. So we've continued to opportunistically exit that legacy conduit sector over the last several quarters through sales and/or through re-financings. Next, with respect to single asset single borrower or SASB, these deals are backed by high-quality properties, typically a single prestige property or small portfolio owned by a single owner. We generally like these deals but there aren't that many of them and so our allocation to this sector tends to be small. And then lastly, with respect to the small balance commercial space, due to these smaller loan balances, more limited collateral information and fully amortizing loans, this sector actually behaves and trades a lot more like RMBS than traditional conduit CMBS. We like this sector quite a bit and we traded relative to RMBS taking allocations up as yield spreads widen and vice-versa as yield spreads tighten. As of today, we believe that small balance commercial spreads are relatively narrow relative to legacy RMBS and ergo our relatively small allocation today.

And then the third point I like to make about sector allocation is that our cash balance remains low at about 1%. Our comfort at holding less cash over these last few quarters comes from the overall improvement and liquidity for the sectors that we're investing in, particularly the new issue RMBS sectors that I mentioned earlier.

Our overall tactical strategy remains the same as it was a quarter ago. With the credit spread compression that we've continued to see along with the flattening of the credit curve in the space, we still think that it's prudent to be taking less risk in anticipation of what we believe to be inevitable weakness and subsequent opportunities that we expect to see. So we have continued to focus on higher quality cash flows with more liquidity, with less rate sensitivity and we expect continued low correlations to other risk assets. We have continued to take the opportunity to sell some of our less liquid profiles and we have been focusing on adding more liquid securities with less downside price risk. And at this point, we are basically as derisked as we intend to get. This positioning along with the strong performance we've seen in the mortgage credit sectors has resulted in a lower loss adjusted yield for the fund. The yield today is about 4.3% and as you may have seen, the dividend this most recent quarter analyzed was about 4%. In terms of industry sensitivity, while the 10 year has continued in its recent trading range, the low to mid twos, we have made a decision to keep duration low. Duration at the end of September was 1.1 years. That's effective duration. We're still not seeing material interest rate driven price movements in most of our portfolio and we expect that that will continue to be the case for some time to come. In our view, this low interest rate sensitivity that our fund has demonstrated adds to the attractive diversification that this mortgage credit sector provides within a fixed income portfolio. With rates still low and with durations so long in so many sectors, any rise in rates can have and will have an increasingly negative impact on most of the bond market and so we think that mortgage credit can provide one source of stability while generating current yield, should rates rise. The average dollar price of the portfolio was $92.5 and that's up about one point from last quarter. The average price of the RMBS portion of the portfolio was $94 with prime paper an average of $92, Alt-A average of $81, subprime average dollar price of $89 and then the new issue sectors in a range of roughly 95 to just above par and CMBS average dollar price at the end of September is $97.

Looking at some of the other portfolio characteristics: Of course, the portfolio continues to be very well diversified geographically, by vintages, type of borrower, et cetera and the allocation to the new issue sectors has furthered that diversification. 60% of the RMBS that we own and 55% of the overall portfolio is in floating rate. We've now had four rate increases which has resulted in many of these coupons rising by about 1% over the past year. We continue to see a slow rise in subprime refinancing largely because of those rate increases and we expect that to continue and to continue providing incremental performance since we're receiving back 100 on these discount bonds. Trading activity continued to be significant during this past quarter with annualized turnover at an annualized rate around 200%. The combination of uncertainty surrounding real estate losses in the midst of the late summer's hurricanes which caused volatility largely in the

CRT sector, plus the continued uncertainty around call activity and associated litigation hold back risk by deal trustees in the legacy space, and then finally opportunities created by relatively heavy new issuance in the 2.0 space all resulted in a – in a growing number of trading opportunities for us.

The fund remains long only with no leverage, no hedges and we have no plans to change that. We remain very comfortable with the level of credit risk that we're analyzing and taking in the portfolio, which ultimately is an important source of the performance we're generating. We also believe if we continue to have an appropriate amount of liquidity in the portfolio and we remain confident that our limited interest rate risk will continue to serve the portfolio well. In terms of liquidity, we also continue to have the borrowing facility from U.S. Bancorp, our fund custodian and administrator, which is equal to 20% of the funds AUM which can be used for redemption purposes only. Again, another source liquidity in addition to the very liquid portion of the portfolio that we have.

Looking forward from here, we're increasingly of the view that the legacy and new issue non-agency RMBS sectors are the place to be in the coming quarters for a number of reasons. First, although it remains impossible to predict the direction of rates from here, it's increasingly clear that the Fed will continue to raise rates under most scenarios and in fact we expect the next hike to be at their December meeting. It's also clear that the Fed will follow through with their balance sheet tapering. If all goes well, these will be very balanced, well anticipated moves that the market takes in stride. We believe it's fair to say that absent a significant risk off environment, rates will go down from here and we believe that owning a portfolio with a short duration and a 50% allocation of floating rate paper will look good on a relative basis. With respect to the Fed's tapering plans, there should be an impact to agency MBS over time although so far agencies have actually out-performed treasuries since the Fed announced details of this unwinding. They do after all own $2 trillion of this agency MBS space or about a third of the market. But, the Fed does not own non-agency paper and the connection between agency paper and non-agencies is very loose. If agency spreads widen, we certainly believe that some small portion of the market, primarily the AAA rated new issue securities which again is a small piece of the overall market could widen in tandem but that's about it. Credit quality of homeowners continues to increase unabated through both rising home prices and job creation. Home price appreciation has continued at about a 5%, now even 6% pace. This fundamental strength has allowed subprime mortgage refinancing and voluntary programs to rise. And again as I mentioned, since we own this paper at a discount, this is accretive to performance. In the meantime, home affordability also continues to be good. It remains much better than pre-recession levels and remains better than long-term averages. The enhancement that we're seeing in fundamentals can support further price increases in legacy paper, in our view, even if rates do rise from here. Back to the hurricanes for a second. While the hurricanes in Texas, Florida and Caribbean were of course very devastating, we believe that any impact on our portfolio will be negligible. We're continuing to look at information surveillance that comes out but again we see virtually no negative impact in what we're invested in.

We're also seeing one other source of opportunity in the legacy space. You will recall that back in mid-2016, we had the first major rep and warranty settlement payout from Countrywide. That created a bunch of interesting trading opportunities as investors priced the value of the option to receive these payments differently as they got closer to those payouts. Another large settlement for JP Morgan issued deals, which is going to total about $4.5 billion, has cleared most of its final hurdles and we fully expect this cash to be sent to bondholders by early 2018, and this large influx of cash is likely to have a big impact in valuations as well given that the credit enhancements on the affected deals will change and a lot of the money – a lot of this $4.5 billion will likely find its way back into the sector. This has been resulting in some great trading opportunities for us so far this year and we expect many more to come.

We position the portfolio to be in a position to take advantage of volatility should a risk off scenario develop. We thought that some volatility might be in the cards during the summer when a number of legacy bonds were called and the deals' trustee, Wells Fargo, withheld over 20% of the proceeds that were expected to go to bondholders for their own litigation expenses. However, so far the fallout from this has been muted. If a risk off scenario does develop, although we expect some positive correlation between RMBS and other risk assets, we believe that these bonds will hold up much better, likely even better than they did back in the first quarter 2016. Within mortgage credit, there's a range of spread duration, a measure of how much prices should change given a change in credit spreads and we've actively kept ours on the shorter side which is in the high threes.

As I mentioned earlier, we remain very cautious on the CMBS market but we do expect to maintain some exposure. With respect to agencies, we still believe that on the whole the $6 trillion sector is at risk of underperformance offering fairly low yields for the level of prepayment interest rate risk that one assumes. The sector continues to be an excellent source of quality and liquidity but not attractive to us at this point. We'll certainly be following the Fed's tapering closely not only for any implications to the non-agency sectors in the future but also hoping to see some value in agencies at some point in the future.

So just to summarize, we will continue to position the portfolio with low duration, with higher liquidity, with limited spread duration, with the goal of targeting solid monthly returns largely from interest income while managing downside volatility and at the same time continuing to buy and trade opportunistically as the market permits. We're confident that our small size and ability to be nimble is increasingly valuable in this space so we think that this combination of yield rate insensitivity and improving credit fundamentals will position the fund well going forward within the universe of bond funds as well as within the universe of non-traditional bond funds. So thanks for your time and I will pass it back to Greg.

Greg Parsons: Great. Appreciate the update. And as I mentioned, the fund has crossed $1 billion and it continues to grow consistently and at a robust forward-looking pipeline. We are more excited than ever about the opportunities we're seeing in the market drive value and I want to thank those on the phone who are already investors for their support to date. We continue to add content to our Mutual Fund website, www.semperfunds.com and invite you to visit. You can also get information about our other mutual fund, the Semper Short duration fund which is another five-star fund in the Morningstar's ultra-short bond fund category. If there's anything we can be providing you or telling you, please let us know. At this point, we'll open up for questions.

Operator: As a reminder, if you would like to ask a question, please press Star and the number one on your telephone keypad. Again, that is star one. Your first question comes from the line of Gary Bochow with Vision Four.

(Gary Bochow): Hi, Tom and Greg. Tom, you mentioned geography and being out here in California, that's kind of – it's a sensitive issue for us given the fact that there's a perception out here that the real estate market is something more than overheated. Could you give us a sense first of all for what would happen if in a certain region of the country things did get overheated and there would be a bit of a – a bit of a fallout from that. And also, if you feel comfortable, give us a sense for what you got in terms of geographically dispersed across the country. Thanks.

Tom Mandel: OK. Well, the first comment I would make is that virtually all of the RMBS securities that we hold are extremely well diversified geographically and of course California and of course Texas and Florida and New York are such big places, there's going to be a little bit more concentration in most deals in those states. We have – there are tens of thousands of loans that are supporting the bonds that we own and again the diversification is really – is really quite large. Just actually looking at, for example, looking at the Houston market for example, given how much publicity that's been received from all the flooding, there's about a 1% allocation across the legacy RMBS sector to those geographic regions. And so really very little implication, negative implication from what's happening in the values or losses in any one spot. In terms of clearly some markets, particular some of the cities in California, certainly have become overheated and that can definitely have some implications for newer issue securitizations but frankly since most of the paper that we own is legacy paper, the valuations of new properties that are being borrowed against doesn't have any direct implications.

(Gary Bochow): Thanks for that.

Tom Mandel: Thank you.

Operator: Again, to ask an audio question, press star one on your telephone keypad. Your next question comes from the line of Sam Braun with Vision Four.

(Sam Braun): Good morning, guys. Thanks for the call. My question, Tom, I don't know, maybe if you could just expand a little bit on the NexGen of this RMBS securitization and how the yields contrast and what you see going forward obviously from a standpoint of the decay or the decrease in the legacy RMBS and how that's going to affect the portfolio.

Tom Mandel: OK. Well, let's see. So a year ago, we had maybe a 5% allocation to these newer issue sectors which again include agency CRT deals, single-family rental securitizations, NPL and RPL deals and other new securitizations. Today, again we have about a 40% allocation among our total RMBS book. Currently, there is about a 10 to 15% annual pay down of the legacy paper so for a $500 billion sector, that's going to be $50 billion to 75 billion of pay downs over the next 12 months. These NexGen sectors actually have new issuance that now is about the same as that amount of drawdown in the legacy space so $50- $60 billion of new issuance is expected this year across those few categories. There's certainly a very wide range of yields and risk parameters of both the legacy deals and these newer issue deals. The new issue deals again tend to have a great deal of liquidity. They generally do have multiple tranches all the way from a AAA rated senior piece that will be very short, very high quality, very little downside credit risk and also not a whole lot of yield. So yield on one of those securities may be 3 ¼, 3 ½ % then it goes all the way down to unrated bonds, which will have much higher yields, which will have much longer spread durations if not effective durations depending if they're floating or fixed. And also much more optionality to real estate fundamentals both on the upside as well as on the downside. So what's exciting to us is that this really broadens the range of investible bonds for us that we really have many more tools at our disposal now to make the tactical decisions in our portfolio based on our near-term and intermediate and longer-term outlooks.

(Sam Braun): Thank you. Thanks for that answer.

Tom Mandel: Thank you.

Operator: Your next question comes from the line of Rachel Rigoli with Vision Four.

(Rachel Rigoli): Hi, Tom. Thanks for your comments. I just had a quick question. I know that you said there are currently no hedges in the portfolio. I'm wondering if you can just walk me through a scenario in which you would use hedges and what that would look like.

Tom Mandel: Well, I think there's not a lot of chance that we're going to be using hedges anytime soon. I think one interesting thing about the mortgage space is that we can essentially, we can own securities to directionally make virtually any decision we want. So for example, there are derivatives that have negative duration, there's floating rate paper, there's fixed rate paper. We can make a lot of different tactical decisions without hedging. In general, I think we believe that this market is efficient enough so that we don't need to really spend the incremental cost for hedges. I guess maybe that one case where that could change is if we got to the point where a much larger portion of the bonds we're investing in did have interest rate risk, it made be at that point be efficient to hedge away some of that interest rate risk through the use of agencies but we just don't see that happening anytime soon.

(Rachel Rigoli): Thanks very much.

Operator: And there are no further audio question.

Tom Mandel: OK. Well, on behalf of the whole Semper team, we'd like to thank you for taking the time to listen today. We would encourage you to contact us at any time with any additional questions. Also encourage you to look at our mutual fund website as well as our firm website for additional information about our views on the market. And thank you all again for your time.

Operator: Ladies and gentlemen, that does conclude today's conference call. You may now disconnect your line.

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