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DELTA REPORT

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EARN - ELLINGTON RESIDENTIAL MOR

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1709
CHANGES	289
DELETIONS	701
ADDITIONS	719

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-35896

Ellington Residential Mortgage REIT Credit Company

(Exact Name of Registrant as Specified in Its Charter)

Maryland	46-0687599
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

53 Forest Avenue
Old Greenwich, Connecticut 06870
(Address of Principal Executive Offices) (Zip Code)
(203) 698-1200
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares of Beneficial Interest, $0.01 par value per share	EARN	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of the Registrant's common shares outstanding as of November 10, 2023 May 10, 2024: 16,328,687 20,134,542

ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY

PART I—FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (unaudited)

ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

		September 30, 2023	December 31, 2022(1)		
	March 31, 2024			**March 31, 2024**	**December 31, 2023**
(In thousands except for share amounts)	*(In thousands except for share amounts)*				
ASSETS	**ASSETS**				
ASSETS					
ASSETS					
Cash and cash equivalents	Cash and cash equivalents	$ 39,996	$ 34,816		
Securities, at fair value(2)		836,275	893,509		
Cash and cash equivalents					
Cash and cash equivalents					
Securities, at fair value(1)					
Due from brokers	Due from brokers	27,900	18,824		
Financial derivatives–assets, at fair value	Financial derivatives–assets, at fair value	100,948	68,770		
Reverse repurchase agreements		37,103	499		
Receivable for securities sold					
Receivable for securities sold					
Receivable for securities sold	Receivable for securities sold	16,667	33,452		
Interest receivable	Interest receivable	4,995	3,326		
Other assets	Other assets	552	436		
Total Assets	**Total Assets**	$1,064,436	$1,053,632		
LIABILITIES AND SHAREHOLDERS' EQUITY	**LIABILITIES AND SHAREHOLDERS' EQUITY**				

LIABILITIES	**LIABILITIES**		
LIABILITIES			
LIABILITIES			
Repurchase agreements			
Repurchase agreements			
Repurchase agreements	Repurchase agreements	$ 811,180	$ 842,455
Payable for securities purchased	Payable for securities purchased	8,220	42,199
Due to brokers	Due to brokers	71,202	45,666
Financial derivatives–liabilities, at fair value	Financial derivatives–liabilities, at fair value	8,840	3,119
U.S. Treasury securities sold short, at fair value		46,326	498
Dividend payable			
Dividend payable			
Dividend payable	Dividend payable	1,270	1,070
Accrued expenses	Accrued expenses	1,454	1,097
Management fee payable to affiliate	Management fee payable to affiliate	420	423
Interest payable	Interest payable	4,066	4,696
Total Liabilities	**Total Liabilities**	952,978	941,223
SHAREHOLDERS' EQUITY	**SHAREHOLDERS' EQUITY**		
Preferred shares, par value $0.01 per share, 100,000,000 shares authorized; (0 shares issued and outstanding, respectively)	Preferred shares, par value $0.01 per share, 100,000,000 shares authorized; (0 shares issued and outstanding, respectively)	—	—
Common shares, par value $0.01 per share, 500,000,000 shares authorized; (15,870,141 and 13,377,840 shares issued and outstanding, respectively)		159	134
Preferred shares, par value $0.01 per share, 100,000,000 shares authorized; (0 shares issued and outstanding, respectively)			
Preferred shares, par value $0.01 per share, 100,000,000 shares authorized; (0 shares issued and outstanding, respectively)			

Common shares, par value $0.01 per share, 500,000,000 shares authorized; (19,819,610 and 18,601,464 shares issued and outstanding, respectively)			
Additional paid-in-capital	Additional paid-in-capital	258,258	240,940
Accumulated deficit	Accumulated deficit	(146,959)	(128,665)
Total Shareholders' Equity	**Total Shareholders' Equity**	111,458	112,409
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	$1,064,436	$1,053,632

(1) Conformed to current period presentation.

(2) Includes assets pledged as collateral to counterparties. See Note 6 for additional details on the Company's borrowings and related collateral.

See Notes to Consolidated Financial Statements

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ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

		Three-Month Period Ended		Nine-Month Period Ended			
		September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**		
		Three-Month Period Ended					**Three-Month Period Ended**
		March 31, 2024				**March 31, 2024**	**March 31, 2023**
(In thousands except for per share amounts)	*(In thousands except for per share amounts)*						
INTEREST INCOME (EXPENSE)	**INTEREST INCOME (EXPENSE)**						
INTEREST INCOME (EXPENSE)							
INTEREST INCOME (EXPENSE)							
Interest income							
Interest income							
Interest income	Interest income	$ 11,253	$ 9,457	$ 30,661	$ 25,079		
Interest expense	Interest expense	(12,349)	(4,268)	(33,745)	(7,343)		

Total net interest income (expense)	**Total net interest income (expense)**	(1,096)	5,189	(3,084)	17,736
EXPENSES	**EXPENSES**				
Management fees to affiliate					
Management fees to affiliate					
Management fees to affiliate	Management fees to affiliate	420	388	1,292	1,335
Professional fees	Professional fees	290	205	939	621
Compensation expense	Compensation expense	177	183	545	537
Insurance expense	Insurance expense	95	101	289	301
Other operating expenses	Other operating expenses	374	353	1,096	1,063
Total expenses	**Total expenses**	1,356	1,230	4,161	3,857
OTHER INCOME (LOSS)	**OTHER INCOME (LOSS)**				
Net realized gains (losses) on securities	Net realized gains (losses) on securities	(19,572)	(28,236)	(46,278)	(57,870)
Net realized gains (losses) on securities					
Net realized gains (losses) on securities					
Net realized gains (losses) on financial derivatives	Net realized gains (losses) on financial derivatives	1,152	2,355	27,122	48,186
Change in net unrealized gains (losses) on securities	Change in net unrealized gains (losses) on securities	(15,824)	(27,574)	10,344	(106,224)
Change in net unrealized gains (losses) on financial derivatives	Change in net unrealized gains (losses) on financial derivatives	25,276	35,825	8,177	60,151
Total other income (loss)	**Total other income (loss)**	(8,968)	(17,630)	(635)	(55,757)
Net income (loss) before income taxes					
Income tax expense (benefit)					
NET INCOME (LOSS)	**NET INCOME (LOSS)**	$ (11,420)	$ (13,671)	$ (7,880)	$ (41,878)
NET INCOME (LOSS) PER COMMON SHARE:	**NET INCOME (LOSS) PER COMMON SHARE:**				

Basic and Diluted	Basic and Diluted	$ (0.75)	$ (1.04)	$ (0.55)	$ (3.19)
Basic and Diluted					
Basic and Diluted					

See Notes to Consolidated Financial Statements

ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	Common Shares	Common Shares, par value	Preferred Shares	Preferred Shares, par value	Additional Paid-in-Capital	Accumulated (Deficit) Earnings	Total
	Common Shares						
	Common Shares						
	Common Shares						
(In thousands except for share amounts)							
(In thousands except for share amounts)							
(In thousands except for share amounts)							
BALANCE, December 31, 2023							
BALANCE, December 31, 2023							
BALANCE, December 31, 2023							
Common shares issued(1)							
Common shares issued(1)							
Common shares issued(1)							
(In thousands except for share amounts)							
Share based compensation							
Share based compensation							
Share based compensation							
Dividends declared(2)							
Dividends declared(2)							
Dividends declared(2)							
Net income (loss)							
Net income (loss)							
Net income (loss)							
BALANCE, March 31, 2024							
BALANCE, March 31, 2024							
BALANCE, March 31, 2024							
BALANCE, December 31, 2022							
BALANCE, December 31, 2022							
BALANCE, December 31, 2022 **BALANCE, December 31, 2022**	13,377,840	$ 134	—	$ —	$ 240,940	$ (128,665)	$ 112,409
Common shares issued(1) Common shares issued(1)	455,671	4			3,487		3,491
Common shares issued(1)							
Common shares issued(1)							
Share based compensation							
Share based compensation							

Share based compensation	Share based compensation					45		45
Forfeiture of common shares to satisfy tax withholding obligations	Forfeiture of common shares to satisfy tax withholding obligations	(3,108)	—			—		—
Forfeiture of common shares to satisfy tax withholding obligations								
Forfeiture of common shares to satisfy tax withholding obligations								
Dividends declared[2]								
Dividends declared[2]								
Dividends declared[2]	Dividends declared[2]						(3,305)	(3,305)
Net income (loss)	Net income (loss)						2,337	2,337
Net income (loss)								
Net income (loss)								
BALANCE, March 31, 2023	**BALANCE, March 31, 2023**	13,830,403	138	—	—	244,472	(129,633)	114,977
Common shares issued[1]		547,790	6			3,802		3,808
Share based compensation						81		81
Dividends declared[2]							(3,372)	(3,372)
Net income (loss)							1,203	1,203
BALANCE, June 30, 2023		14,378,193	$ 144	—	$ —	$ 248,355	$ (131,802)	$ 116,697
Common shares issued[1]		1,459,028	15			9,822		9,837
Issuance of restricted shares		32,920	—			—		—
Share based compensation						81		81
Dividends declared[2]							(3,737)	(3,737)
Net income (loss)							(11,420)	(11,420)
BALANCE, September 30, 2023		15,870,141	$ 159	—	$ —	$ 258,258	$ (146,959)	$ 111,458
BALANCE, December 31, 2021		13,109,926	$ 131	—	$ —	$ 238,865	$ (84,771)	$ 154,225
Share based compensation						76		76
Dividends declared[2]							(3,933)	(3,933)
Net income (loss)							(17,467)	(17,467)
BALANCE, March 31, 2022		13,109,926	131	—	—	238,941	(106,171)	132,901
Share based compensation						75		75
Repurchase of common shares		(30,532)	—			(200)		(200)
Dividends declared[2]							(3,406)	(3,406)
Net income (loss)							(10,740)	(10,740)
BALANCE, June 30, 2022		13,079,394	$ 131	—	$ —	$ 238,816	$ (120,317)	$ 118,630
Common shares issued[1]		148,349	1			1,194		1,195
Issuance of restricted shares		27,044	—			—		—
Share based compensation						78		78
Repurchase of common shares		(9,489)	—			(62)		(62)
Dividends declared[2]							(3,165)	(3,165)
Net income (loss)							(13,671)	(13,671)
BALANCE, September 30, 2022		13,245,298	$ 132	—	$ —	$ 240,026	$ (137,153)	$ 103,005
BALANCE, March 31, 2023								
BALANCE, March 31, 2023								

(1) Net of discounts and commissions and offering costs.

(2) For each of the three-month period periods ended September 30, 2023 March 31, 2024 and 2022, 2023, dividends totaling $0.24, respectively, per common share outstanding, were declared. For the nine-month periods ended September 30, 2023 and 2022, dividends totaling $0.72 and $0.80, respectively, per common share outstanding, were declared.

See Notes to Consolidated Financial Statements

ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

		Nine-Month Period Ended	
		September 30, 2023	September 30, 2022
		Three-Month Period Ended March 31, 2024	
		Three-Month Period Ended March 31, 2024	March 31, 2023
(In thousands)	*(In thousands)*		
Cash flows provided by (used in) operating activities:	**Cash flows provided by (used in) operating activities:**		
Cash flows provided by (used in) operating activities:			
Cash flows provided by (used in) operating activities:			
Net income (loss)			
Net income (loss)			
Net income (loss)	Net income (loss)	$ (7,880)	$ (41,878)
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:	**Reconciliation of net income (loss) to net cash provided by (used in) operating activities:**		
Net realized (gains) losses on securities			
Net realized (gains) losses on securities			
Net realized (gains) losses on securities	Net realized (gains) losses on securities	46,278	57,870
Change in net unrealized (gains) losses on securities	Change in net unrealized (gains) losses on securities	(10,344)	106,224
Net realized (gains) losses on financial derivatives	Net realized (gains) losses on financial derivatives	(27,122)	(48,186)

Change in net unrealized (gains) losses on financial derivatives	Change in net unrealized (gains) losses on financial derivatives	(8,177)	(60,151)
Amortization of premiums and accretion of discounts, net	Amortization of premiums and accretion of discounts, net	1,411	2,267
Share based compensation	Share based compensation	207	229
(Increase) decrease in assets:	(Increase) decrease in assets:		
Interest receivable	Interest receivable	(1,669)	649
Interest receivable			
Interest receivable			
Other assets	Other assets	(116)	(124)
Increase (decrease) in liabilities:	Increase (decrease) in liabilities:		
Accrued expenses			
Accrued expenses			
Accrued expenses	Accrued expenses	297	44
Interest payable	Interest payable	(630)	1,455
Management fees payable to affiliate	Management fees payable to affiliate	(3)	(193)
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	(7,748)	18,206
Cash flows provided by (used in) investing activities:	**Cash flows provided by (used in) investing activities:**		
Purchases of securities	Purchases of securities	(1,461,145)	(1,899,709)
Purchases of securities			
Purchases of securities			
Proceeds from sale of securities	Proceeds from sale of securities	1,389,324	1,683,191
Principal repayments of mortgage-backed securities		73,680	156,299
Principal repayments of securities			
Proceeds from investments sold short	Proceeds from investments sold short	467,954	310,132

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Repurchase of investments sold short	Repurchase of investments sold short	(421,292)	(399,512)
Proceeds from disposition of financial derivatives	Proceeds from disposition of financial derivatives	26,053	68,913
Purchase of financial derivatives	Purchase of financial derivatives	(17,271)	(24,992)
Payments made on reverse repurchase agreements	Payments made on reverse repurchase agreements	(3,262,996)	(7,892,802)
Proceeds from reverse repurchase agreements	Proceeds from reverse repurchase agreements	3,226,392	7,988,533
Due from brokers, net	Due from brokers, net	132	7,429
Due to brokers, net	Due to brokers, net	29,700	42,750
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	50,531	40,232

See Notes to Consolidated Financial Statements

ELLINGTON RESIDENTIAL MORTGAGE REIT

ELLINGTON CREDIT COMPANY

ELLINGTON CREDIT COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(UNAUDITED)

		Nine-Month Period Ended			
		September 30, 2023	September 30, 2022		
		Three-Month Period Ended Three-Month Period Ended Three-Month Period Ended			
		March 31, 2024		March 31, 2024	March 31, 2023
Cash flows provided by (used in) financing activities:	**Cash flows provided by (used in) financing activities:**				

Net proceeds from the issuance of common shares(1)	Net proceeds from the issuance of common shares(1)	$ 17,238	$ 1,251
Net proceeds from the issuance of common shares(1)			
Net proceeds from the issuance of common shares(1)			
Offering costs paid	Offering costs paid	(41)	(84)
Repurchase of common shares		—	(262)
Dividends paid			
Dividends paid			
Dividends paid	Dividends paid	(10,214)	(10,755)
Borrowings under repurchase agreements	Borrowings under repurchase agreements	4,071,841	3,627,907
Repayments of repurchase agreements	Repayments of repurchase agreements	(4,103,116)	(3,754,696)
Due from brokers, net	Due from brokers, net	(9,716)	34,571
Due to brokers, net	Due to brokers, net	(3,595)	10
Cash provided by (used in) financing activities	Cash provided by (used in) financing activities	(37,603)	(102,058)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**	5,180	(43,620)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD**	34,816	69,028
CASH AND CASH EQUIVALENTS, END OF PERIOD	**CASH AND CASH EQUIVALENTS, END OF PERIOD**	$ 39,996	$ 25,408
Supplemental disclosure of cash flow information:	**Supplemental disclosure of cash flow information:**		
Interest paid	Interest paid	$ 34,375	$ 5,888
Interest paid			
Interest paid			
Dividends payable	Dividends payable	1,270	1,060

(1) Net of discount and commissions.

ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 March 31, 2024
(UNAUDITED)

1. Organization and Investment Objective

Ellington Residential Mortgage REIT, Credit Company, or "EARN," (formerly Ellington Residential Mortgage REIT) was initially formed as a Maryland real estate investment trust, or "REIT," on August 2, 2012, and commenced operations on September 25, 2012. , with a focus on acquiring, investing in, and managing residential mortgage- and real estate-related assets through its wholly owned subsidiaries. EARN conducts its business through its wholly owned subsidiaries, EARN OP GP LLC, or the "General Partner," and Ellington Residential Mortgage LP, or the "Operating Partnership," which were formed as a Delaware limited liability company and a Delaware limited partnership, respectively, on July 31, 2012 and commenced operations on September 25, 2012. The Operating Partnership conducts its business of acquiring, investing in, and managing residential mortgage- and real estate-related targeted assets through its wholly owned subsidiaries. EARN, the General Partner, the Operating Partnership, and their consolidated subsidiaries are hereafter defined as the "Company."

Ellington Residential Mortgage Management LLC, On March 29, 2024, the Company's Board of Trustees approved a strategic transformation, the "CLO Strategic Transformation," of the Company's investment strategy to focus on corporate collateralized loan obligations, or "CLOs." In connection with the CLO Strategic Transformation, the Company revoked its status as a REIT under the Internal Revenue Code of 1986, as amended, or "the Code," and, effective January 1, 2024, conducts its operations as a taxable C-Corp and maintains its exclusion from registration under the Investment Company Act of 1940, as amended, or the "Manager," "Investment Company Act." serves On April 19, 2024, the Company changed its name and amended its declaration of trust and bylaws accordingly. Later in 2024, the Company intends to convert to a closed-end fund to be treated as a regulated investment company, or "RIC," subject to shareholder approval of certain matters. After such conversion to a closed-end fund, the Manager Company would be required to comply with the rules and regulations of the Investment Company pursuant to the terms of the Fifth Amended and Restated Management Agreement, or the "Management Agreement." The Manager is an affiliate of Ellington Management Group, L.L.C., or "EMG," an investment management firm that is an SEC-registered investment adviser with a 28-year history of investing in a broad spectrum of mortgage-backed securities and related derivatives, with an emphasis on the residential mortgage-backed securities, or "RMBS," market. In accordance with the terms of the Management Agreement and the Services Agreement (as described in Note 9), the Manager is responsible for administering the Company's business activities and day-to-day operations, and performs certain services, subject to oversight by the Board of Trustees. See Note 9 for further information on the Management Agreement. Act.

The Company acquires began acquiring and manages actively managing a portfolio CLOs during the year ended December 31, 2023. The Company's targeted investments may range from unrated first loss securities to AAA senior securities.

Prior to the CLO Strategic Transformation, the Company focused on acquiring and managing RMBS, for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity, or "Agency RMBS," and RMBS that do not carry such guarantees, or "non-Agency RMBS," such as RMBS backed by prime jumbo, Alternative A-paper, manufactured housing, and subprime residential mortgage loans. Agency RMBS include both Agency pools and Agency collateralized mortgage obligations, or "CMOs," and non-Agency RMBS primarily consist of non-Agency CMOs, both investment grade and non-investment grade. The As a result of the CLO Strategic Transformation, the Company also acquires intends to gradually liquidate its portfolio of mortgage-related assets and manages collateralized loan obligations, invest its capital in CLOs.

Ellington Credit Company Management LLC, formerly known as Ellington Residential Mortgage Management LLC, or "CLOs." the "Manager," The serves as the Manager of the Company also invests in other instruments including, but not limited pursuant to forward-settling To-Be-Announced Agency pass-through certificates, or "TBAs," interest rate swaps, U.S. Treasury securities, U.S. Treasury futures, other financial derivatives, the terms of the Fifth Amended and cash equivalents. The Company may also acquire and manage other types of assets such as commercial mortgage-backed securities, or "CMBS," residential mortgage loans, mortgage servicing rights, and credit risk transfer securities. The Company's targeted investments may range from unrated first loss securities to AAA senior securities.

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, Restated Management Agreement, as amended, or "the Code, the "Management Agreement." The Manager is an affiliate of Ellington Management Group, L.L.C., or "EMG," an investment management firm that is an SEC-registered investment adviser with a longstanding history of investing in CLOs across a wide variety of market conditions. In accordance with the terms of the Management Agreement and conducts its the Services Agreement (as described in Note 9), the Manager is responsible for administering the Company's business activities and day-to-day operations, to qualify and be taxed as a REIT. As a REIT, the Company is required to distribute annually at least 90% of its taxable income. As long as the Company continues to qualify as a REIT, it will not be performs certain services, subject to U.S. federal corporate taxes on its taxable income to the extent that it distributes all of its annual taxable income to its shareholders within the time limits prescribed oversight by the Code. It is Board of Trustees. See Note 9 for further information on the intention of the Company to distribute at least 100% of its taxable income, after application of available tax attributes, within the time limits prescribed by the Code, which may extend into the subsequent taxable year. Management Agreement.

2. Significant Accounting Policies

(A) Basis of Presentation: The Company's unaudited interim consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," and Regulation S-X. Entities in which the Company has a controlling financial interest, through ownership of the majority of the entities' voting equity interests, or through other contractual rights that give the Company control, are consolidated by the Company. All inter-company balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material. In management's opinion, all material adjustments considered necessary for a fair statement of the Company's interim consolidated financial statements have been included and are only of a normal recurring nature. Interim results are not necessarily indicative of the results

that may be expected for the entire fiscal year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

(B) Valuation: The Company applies ASC 820-10, *Fair Value Measurement* ("ASC 820-10"), to its holdings of financial instruments. ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Currently, the types of financial instruments the Company generally includes in this category are exchange-traded derivatives and equities;
- Level 2—inputs to the valuation methodology other than quoted prices included in Level 1 are observable for the asset or liability, either directly or indirectly. Currently, the types of financial instruments that the Company generally includes in this category are Agency RMBS, U.S. Treasury securities, certain non-Agency RMBS, CLOs, and actively traded derivatives such as TBAs, interest rate swaps, swaptions, credit default swaps, or "CDS", foreign currency forwards, and other over-the-counter derivatives; and
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. Currently, this category generally includes certain CLOs, CDS, and RMBS, such as certain non-Agency RMBS and certain Agency interest only securities, or "IOs," where there is less price transparency.

For certain financial instruments, the various inputs that management uses to measure fair value may fall into different levels of the fair value hierarchy. For each such financial instrument, the determination of which category within the fair value hierarchy is appropriate is based on the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the various inputs that management uses to measure fair value, with the highest priority given to inputs that are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets (Level 1), and the lowest priority given to inputs that are unobservable and significant to the fair value measurement (Level 3). The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The Company may use valuation techniques consistent with the market and income approaches to measure the fair value of its assets and liabilities. The market approach uses third-party valuations and information obtained from market transactions involving identical or similar assets or liabilities. The income approach uses projections of the future economic benefits of an instrument to determine its fair value, such as in the discounted cash flow methodology. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in these financial instruments. The leveling of each financial instrument is reassessed at the end of each period. Transfers between levels of the fair value hierarchy are assumed to occur at the end of the reporting period.

Summary Valuation Techniques

For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of the Company's financial instruments are not traded in an active market. Therefore, management generally uses third-party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology. The following are summary descriptions, for the various categories of financial instruments, of the valuation methodologies management uses in determining fair value of the Company's financial instruments in such categories. Management utilizes such methodologies to assign a fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument.

For the Company's investments in securities and TBAs, management seeks to obtain at least one third-party valuation, and often obtains multiple valuations when available. Management has been able to obtain third-party valuations on the vast majority of these instruments and expects to continue to solicit third-party valuations in the future. Management generally values each financial instrument at the average of third-party valuations received and not rejected as described below. Third-party valuations are not binding, management may adjust the valuations it receives (e.g., downward adjustments for odd lots), and management may challenge or reject a valuation when, based on its validation criteria, management determines that such valuation is unreasonable or erroneous. Furthermore, based on its validation criteria, management may determine that the average of the third-party valuations received for a given instrument does not result in what management believes to be the fair value of such instrument, and in such circumstances management may override this average with its own good faith valuation. The validation criteria may take into account output from management's own models, recent trading activity in the same or similar instruments, and valuations received from third parties. The use of proprietary models requires the use of a significant amount of judgment and the application of various assumptions including, but not limited to, assumptions concerning future prepayment rates and default rates.

Given their relatively high level of price transparency, Agency RMBS pass-throughs, and TBAs are typically designated as Level 2 assets. Non-Agency RMBS, CLOs, and Agency interest only and inverse interest only RMBS are generally classified as either Level 2 or Level 3 based on the analysis of available market data and/or third-party valuations. Furthermore, the methodology used by the third-party valuation providers is reviewed at least annually by management, so as to ascertain whether such providers are utilizing observable market data to determine the valuations that they provide.

Interest rate swaps, swaptions, and swaptions foreign currency forwards are typically valued based on internal models that use observable market data, including applicable interest rates and foreign currency rates in effect as of the measurement date; the model-generated valuations are then typically compared to counterparty valuations for reasonableness; These financial derivatives are generally designated as Level 2 instruments.

For financial derivatives with greater price transparency, such as CDS on corporate indices, market-standard pricing sources are used to obtain valuations; these financial derivatives are generally classified as Level 2.

In valuing its derivatives, the Company also considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement.

The Company's reverse repurchase agreements and reverse repurchase agreements are carried at cost, which approximates fair value. Repurchase Reverse repurchase agreements and reverse repurchase agreements are classified as Level 2 assets and liabilities based on the adequacy of the collateral and their short term nature.

The Company's valuation process, including the application of validation criteria, is directed by the Manager's Valuation Committee ("Valuation Committee") and overseen by the Company's audit committee. The Valuation Committee includes senior level executives from various departments within the Manager, and each quarter the Valuation Committee reviews and approves the valuations of the Company's investments. The valuation process also includes a monthly review by the Company's third party administrator. The goal of this review is to replicate various aspects of the Company's valuation process based on the Company's documented procedures.

Because of the inherent uncertainty of valuation, the estimated fair value of the Company's financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to the consolidated financial statements.

(C) Accounting for Securities: Purchases and sales of securities are recorded on trade date and realized and unrealized gains and losses are calculated based on identified cost.

The Company has chosen to make a fair value election pursuant to ASC 825-10, *Financial Instruments*, for its securities portfolio. Electing the fair value option, or "FVO," allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, securities are recorded at fair value on the Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on the Consolidated Statement of Operations as a component of Change in net unrealized gains (losses) on securities.

The Company applies the principles of ASU 2016-13, *Financial Instruments—Credit Losses* ("ASU 2016-13") and evaluates the cost basis of its securities on at least a quarterly basis under ASC 326-30, *Financial Instruments—Credit Losses: Available-for-Sale Debt Securities* ("ASC 326-30"). When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. The Company must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related factors. In its assessment of whether a credit loss exists, the Company compares the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a "market participant" would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well as incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in Unrealized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations. If it is determined as of the financial reporting date that all or a portion of a security's cost basis is not collectible, then the Company will recognize a realized loss to the extent of the adjustment to the security's cost basis. This adjustment to the amortized cost basis of the security is reflected in Net realized gains (losses) on securities, on the Consolidated Statement of Operations.

(D) Interest Income: Coupon interest income on investment securities is accrued based on the outstanding principal balance or notional amount and the current coupon rate on each security. The Company amortizes purchase premiums and accretes purchase discounts on its fixed-income securities. For RMBS that are deemed to be of high credit quality at the time of purchase, premiums and discounts are generally amortized/accreted into interest income over the life of such securities using the effective interest method. For such RMBS whose cash flows vary depending on prepayments, an effective yield retroactive to the time of purchase is periodically recomputed based on actual prepayments and changes in projected prepayment activity, and a catch-up adjustment, or "Catch-up Amortization Adjustment," is made to amortization to reflect the cumulative impact of the change in effective yield.

For RMBS that are deemed not to be of high credit quality at the time of purchase, interest income is recognized based on the effective interest method. For purposes of estimating future expected cash flows, management uses assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macro-economic assumptions, such as future housing prices). These assumptions are re-evaluated not less than quarterly. Changes in estimated future cash flows, as applied to the current amortized cost of the security, may result in a prospective change in the yield/interest income recognized on such securities.

Certain of the Company's debt securities, at the date of acquisition, have experienced or are expected to experience more-than-insignificant deterioration in credit quality since origination. If at the date of acquisition for a particular asset the Company projects a significant difference between contractual cash flows and expected cash flows, it establishes an initial estimate for credit losses as an upward adjustment to the acquisition cost of the asset for the purpose of calculating interest income using the effective yield method.

The Company's accretion of discounts and amortization of premiums on securities for U.S. federal and other tax purposes is likely to differ from the accounting treatment under U.S. GAAP of these items as described above.

(E) Cash and Cash Equivalents: Cash and cash equivalents include cash and short term investments with original maturities of three months or less at the date of acquisition. Cash and cash equivalents typically include amounts held in interest bearing overnight accounts and amounts held in money market funds, and these balances generally exceed insured limits. The Company holds its cash at institutions that it believes to be highly creditworthy.

(F) Due from brokers/Due to brokers: Due from brokers and Due to brokers accounts on the Consolidated Balance Sheet include collateral transferred to or received from counterparties, including clearinghouses, along with receivables and payables for open and/or closed derivative positions.

(G) Financial Derivatives: The Company enters into various types of financial derivatives subject to its investment guidelines, which include restrictions associated with maintaining its qualification as a REIT. guidelines. The Company's financial derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Company may be required to deliver or may receive cash or securities as collateral upon entering into derivative transactions. In addition, changes in the relative value of financial derivative transactions may require the Company or the counterparty to post or receive additional collateral. In the case of cleared financial derivatives, the clearinghouse becomes the Company's counterparty and a futures commission merchant acts as intermediary between the Company and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral. Collateral received by the Company is reflected on the Consolidated Balance Sheet as "Due to Brokers." Conversely, collateral posted by the Company is reflected as "Due from Brokers" on the Consolidated Balance Sheet. The types of financial derivatives that have been utilized by the Company to date include interest rate swaps, TBAs, swaptions, and futures.

Swaps: The Company enters into various types of swaps including interest rate swaps and credit default swaps. The primary risk associated with the Company's interest rate swap activity is interest rate risk. The primary risk associated with the Company's credit default swaps and total return swaps is credit risk. The Company is subject to interest rate risk exposure in the normal course of pursuing its investment objectives.

Interest rate swaps are contractual agreements whereby one party pays a floating interest rate on a notional principal amount and receives a fixed-rate payment on the same notional principal, or vice versa, for a fixed period of time.

A credit default swap is a contract under which one party agrees to compensate another party for the financial loss associated with the occurrence of a "credit event" in relation to a "reference amount" or notional value of a "reference asset" (usually a bond, loan, or an index or basket of bonds or loans). The definition of a credit event may vary from contract to contract. A credit event may occur (i) when the reference asset (or underlying asset, in the case of a reference asset that is an index or basket) fails to make scheduled principal or interest payments to its holders, (ii) with respect to credit default swaps referencing mortgage/asset-backed securities and indices, when the reference asset (or underlying asset, in the case of a reference asset that is an index or basket) is downgraded below a certain rating level, or (iii) with respect to credit default swaps referencing corporate entities and indices, upon an event of default of the obligor of the reference asset (or underlying obligor, in the case of a reference asset that is an index).

Swaps change in value with movements in interest rates or total return of the reference securities. During the term of swap contracts, changes in value are recognized as unrealized gains or losses on the Consolidated Statement of Operations. When a contract is terminated, the Company realizes a gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Company's basis in the contract, if any. Periodic payments or receipts required by swap agreements are recorded as unrealized gains or losses when accrued and realized gains or losses when received or paid. Upfront payments paid and/or received by the Company to open swap contracts are recorded as an asset and/or liability on the Consolidated Balance Sheet and are recorded as a realized gain or loss on the termination date.

TBA Securities: The Company transacts in the forward settling TBA market. A TBA position is a forward contract for the purchase ("long position") or sale ("short position") of Agency RMBS at a predetermined price, face amount, issuer, coupon, and maturity on an agreed-upon future delivery date. For each TBA contract and delivery month, a uniform settlement date for all market participants is determined by the Securities Industry and Financial Markets Association. The specific Agency RMBS to be delivered into the contract at the settlement date are not known at the time of the transaction. The Company typically does not take delivery of TBAs, but rather enters into offsetting transactions and settles the associated receivable and payable balances with its counterparties. The Company uses TBAs to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for speculative purposes, including holding long positions.

TBAs are accounted for by the Company as financial derivatives. The difference between the contract price and the fair value of the TBA position as of the reporting date is included in Change in net unrealized gains (losses) on financial derivatives in the Consolidated Statement of Operations. Upon settlement of the TBA contract, the realized gain (loss) on the TBA contract is equal to the net cash amount received (paid).

Options: The Company enters into swaption contracts. It may purchase or write put, call, straddle, or other similar options contracts. The Company enters into options contracts primarily to help mitigate interest rate risk. When the Company purchases an options contract, the option asset is initially recorded at an amount equal to the premium paid, if any, and is subsequently marked-to-market. Premiums paid for purchasing options contracts that expire unexercised are recognized on the expiration date as realized losses. If an options contract is exercised, the premium paid is subtracted from the proceeds of the sale or added to the cost of the purchase to determine whether the Company has realized a gain or loss on the related investment transaction. When the Company writes an options contract, the option liability is initially recorded at an amount equal to the premium received, if any, and is subsequently marked-to-market. Premiums received for writing options contracts that expire unexercised are recognized on the expiration date as realized gains. If an options contract is exercised, the premium received is subtracted from the cost of the purchase or added to the proceeds of the sale to determine whether the Company has realized a gain or loss on the related investment transaction. When the Company enters into a closing transaction, the Company will realize a gain or loss depending upon whether the amount from the closing transaction is greater or less than the premiums paid or received. In general, the Company's options contracts contain forward-settling premiums. In this case, no money is exchanged upfront; instead, the agreed-upon premium is paid by the buyer upon expiration of the options contract, regardless of whether or not the options contract is exercised. Unrealized gains or (losses) resulting from the options contract being marked-to-market are included in Change in net unrealized gains (losses) on financial derivatives in the Consolidated Statement of Operations. Realized gains or (losses) are included in Net realized gains (losses) on financial derivatives on the Consolidated Statement of Operations.

Futures Contracts: The Company enters into futures contract, typically U.S. Treasury futures contracts. A futures contract is an exchange-traded agreement to buy or sell an asset for a set price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either in the form of cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market to reflect the current market value of the contract. Unrealized gains or (losses) are included in Change in net unrealized gains (losses) on financial derivatives in the Consolidated Statement of Operations. Variation margin payments are made or received periodically, depending upon whether unrealized losses or gains are incurred. When the contract is closed, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract. Realized gains or (losses) are included in Net realized gains (losses) on financial derivatives on the Consolidated Statement of Operations.

Forward Currency Contracts: A forward currency contract is an agreement between two parties to purchase or sell a specific quantity of currency with the delivery and settlement at a specific future date and exchange rate. During the period the forward currency contract is open, changes in the value of the contract are recognized as unrealized gains or losses. When the contract is settled, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

Financial derivative assets are included in Financial derivatives–assets, at fair value on the Consolidated Balance Sheet while financial derivative liabilities are included in Financial derivatives–liabilities, at fair value on the Consolidated Balance Sheet. The Company has chosen to elect the FVO for its financial derivatives. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. Changes in unrealized gains and losses on financial derivatives are included in Change in net unrealized gains (losses) on financial derivatives, on the Consolidated Statement of Operations. Realized gains and losses on financial derivatives are included in Net realized gains (losses) on financial derivatives on the Consolidated Statement of Operations.

(H) Repurchase Agreements: The Company enters into repurchase agreements with third-party broker-dealers, whereby it sells securities under agreements to repurchase at an agreed upon price and date. The Company accounts for repurchase agreements as collateralized borrowings, with the initial sale price representing the amount borrowed, and with the future repurchase price consisting of the amount borrowed plus interest, at the implied interest rate of the repurchase agreement, on the amount borrowed over the term of the repurchase agreement. The interest rate on a repurchase agreement is based on competitive market rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. When the Company enters into a repurchase agreement, the lender establishes and maintains an account

containing cash and/or securities having a value not less than the repurchase price, including accrued interest, of the repurchase agreement. Repurchase agreements are carried at their contractual amounts, which approximate fair value due to their short-term nature.

(I) Reverse Repurchase Agreements: The Company enters into reverse repurchase agreement transactions with third-party broker-dealers, whereby it purchases securities under agreements to resell at an agreed upon price and date. The interest rate on a reverse repurchase agreement is based on competitive market rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. Reverse repurchase agreements are carried at their contractual amounts, which approximate fair value due to their short-term nature.

Repurchase and reverse repurchase agreements that are conducted with the same counterparty can be reported on a net basis if they meet the requirements of ASC 210-20, *Balance Sheet Offsetting*. There are currently no repurchase and reverse repurchase agreements reported on a net basis in the Company's consolidated financial statements.

(J) Securities Sold Short: The Company may purchase or engage in short sales of U.S. Treasury securities to mitigate the potential impact of changes in interest rates on the performance of its portfolio. When the Company sells securities short, it typically satisfies its security delivery settlement obligation by borrowing or purchasing the security sold short from the same or a different counterparty. When borrowing a security sold short from a counterparty, the Company generally is required to deliver cash or securities to such counterparty as collateral for the Company's obligation to return the borrowed security.

The Company has chosen to make the fair value election pursuant to ASC 825-10, *Financial Instruments*, for its securities sold short. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, securities sold short are recorded at fair value on the Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on the Consolidated Statement of Operations as a component of Change in net unrealized gains (losses) on securities. A realized gain or loss will be recognized upon the termination of a short sale if the market price is less or greater than the original sale price. Such realized gain or loss is recorded on the Company's Consolidated Statement of Operations in Net realized gains (losses) on securities.

(K) Offering Costs/Deferred Offering Costs/Underwriters' Discounts: Offering costs, underwriters' discounts and commissions and fees, are charged against shareholders' equity within Additional paid-in-capital. Offering costs typically include legal, accounting, and other fees associated with the cost of raising equity capital.

(L) Share Based Compensation: The Company applies the provisions of ASC 718, *Compensation—Stock Compensation* ("ASC 718"), with regard to its equity incentive plans. ASC 718 covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. ASC 718 requires that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured based on the fair value, at the grant date, of the equity or liability instruments issued and is amortized over the vesting period. Restricted shares issued to the Company's independent trustees and partially dedicated personnel are participating securities and receive dividends prior to vesting. Fair value for such awards is based on the closing stock price on the New York Stock Exchange at the grant date. The vesting period for restricted share

awards is typically one to two years. Shares issued to the Company's independent trustees and partially dedicated personnel are subject to tax withholding upon vesting. The Company's independent trustees and partially dedicated personnel are permitted to forfeit a portion of their vested shares to pay such withholding tax. Forfeited shares decrease the total number of shares issued and outstanding and are immediately retired upon settlement.

(M) Dividends: Dividends payable are recorded on the declaration date.

(N) Expenses: Expenses are recognized as incurred on the Consolidated Statement of Operations.

(O) Earnings Per Share: In accordance with the provisions of ASC 260, *Earnings per Share*, the Company calculates basic income (loss) per share by dividing net income (loss) for the period by the weighted average of the Company's common shares outstanding for that period. Diluted income (loss) per share takes into account the effect of dilutive instruments, such as share options and warrants, and uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding.

(P) Foreign Currency: The functional currency of the Company is U.S. dollars. Assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars at current exchange rates at the following dates: (i) assets, liabilities, and unrealized gains/losses—at the valuation date; and (ii) income, expenses, and realized gains/losses—at the accrual/transaction date. For investments and financial derivatives denominated in a foreign currency, the Company isolates the portion of realized and change in unrealized gain (loss) resulting from changes in the foreign currency exchange rate from the fluctuations arising from changes in fair value (as measured in such foreign currency). Changes in realized and change in unrealized gain (loss) due to foreign currency are included in Other, net, on the Consolidated Statement of Operations.

The Company's reporting currency is U.S. Dollars. If the Company has investments in unconsolidated entities that have a functional currency other than U.S. Dollars, the fair value is translated to U.S. dollars using the current exchange rate at the valuation date. The cumulative translation adjustment, if any, associated with the Company's investments in unconsolidated entities is recorded in accumulated other comprehensive income (loss), a component of consolidated shareholders' equity.

(Q) Share Repurchases: Common shares that are repurchased by the Company subsequent to issuance are immediately retired upon settlement and decrease the total number of shares issued and outstanding. The cost of such share repurchases is charged against Additional paid-in-capital on the Company's Consolidated Balance Sheet.

(Q) (R) Income Taxes: The Company has elected revoked its previous election to be taxed as a REIT under Sections 856 through 860 of the Code. As a REIT, the Company is generally not subject to corporate-level federal Code and state income tax on net income it distributes to its shareholders within the prescribed timeframes. To qualify will operate as a REIT, the Company must meet a number of organizational and operational requirements, including distributing at least 90% of its annual taxable income to shareholders. Even if the Company qualifies as a REIT, it may be subject to certain federal, state, local and foreign taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be C-Corp subject to U.S. federal, state, and local corporate income taxes and may be precluded from qualifying as a REIT for the four taxable years following the tax year in which the Company fails to qualify as a REIT. beginning January 1, 2024. The Company's financial results reflect provisions for any current or deferred income taxes.

The Company follows the authoritative guidance on accounting for and disclosure of uncertainty on tax positions, which requires management to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For uncertain tax positions, the tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company did not have any unrecognized tax benefits resulting from tax positions related to the current period or its open tax years (2019, 2020, (2020, 2021, 2022, and 2022) 2023). In the normal course of business, the Company may be subject to examination by federal, state, local, and foreign jurisdictions, where applicable, for the current period and its open tax years. The Company may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any of such positions, the Company might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements. Also, management's conclusions regarding the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. There were no amounts accrued The Company recognizes interest and penalties, if any, related to uncertain tax positions, as income tax expense included in Income tax expense (benefit) on the Consolidated Statement of Operations. See Note 11 for penalties additional details on income taxes.

(S) Recent Accounting Pronouncements: In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09") which requires disaggregated information about a reporting entities effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. ASU 2023-09 will be applied on a prospective basis with the option to apply ASU 2023-09 retrospectively. The Company is still assessing the impact of ASU 2023-09 on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting—Improvements to Reportable Segment Disclosures* ("ASU 2023-07") which requires incremental disclosures related to an entity's reportable segments, including identifying significant segment expense categories and any multiple measures of segment profit or interest as loss used by the CODM.

Additionally, ASU 2023-07 provides further guidance on interim reporting, disclosures required by entities with a single reportable segment, and recasting of or during previously reported segment information. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, with early adoption permitted. ASU 2023-07 will be applied on a retrospective basis unless it is impracticable to do so. While the periods presented in these Company is still assessing the impact of ASU 2023-07, it is not expected to have a material impact on the Company's consolidated financial statements.

3. Investment in Securities

The Company's securities portfolio primarily consists of Agency RMBS and non-Agency RMBS and also includes, to a lesser extent, corporate CLOs, and may also include U.S. Treasury securities and preferred equity securities. The Company's Agency RMBS include mortgage pass-through certificates and CMOs representing interests in or obligations backed by pools of residential mortgage loans issued or guaranteed by a U.S. government agency or government-sponsored enterprise, or "GSE." The securities in the Company's non-Agency RMBS and CLO portfolios are not issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or any agency of the U.S. Government and are therefore subject to greater credit risk.

The following tables present details of the Company's investments in securities as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

September 30, 2023: March 31, 2024:

($ in thousands)		Unamortized Premium (Discount)								($ in thousands)
				Gross Unrealized			Weighted Average			
($ in thousands)	Current Principal	Unamortized Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon(1) (2)	Yield	Life (Years)(3)	
Long:										
RMBS:										
RMBS:										
RMBS: RMBS:										
Agency: Agency:										
Agency:										
Agency:										
15-year fixed-rate mortgages										
15-year fixed-rate mortgages										
15-year fixed-rate mortgages 15-year fixed-rate mortgages	$ 34,975	$ (175)	$ 34,800	$ —	$ (2,200)	$ 32,600	3.35%	3.31%	3.41	$ 28,173
20-year fixed-rate mortgages 20-year fixed-rate mortgages	10,441	642	11,083	—	(2,009)	9,074	3.17%	2.11%	6.55	20-year fixed-rate mortgages

30-year fixed-rate mortgages	30-year fixed-rate mortgages	800,500	(13,908)	786,592	—	(60,247)	726,345	4.18%	4.31%	8.38	30-year fixed-rate mortgages
Adjustable rate mortgages	Adjustable rate mortgages	7,207	776	7,983	—	(829)	7,154	4.35%	2.66%	4.52	Adjustable rate mortgages
Reverse mortgages	Reverse mortgages	15,023	2,026	17,049	—	(1,714)	15,335	5.54%	2.74%	4.75	Reverse mortgages
Interest only securities(4)	Interest only securities(4)	n/a	n/a	6,967	1,070	(192)	7,845	2.79%	14.88%	6.48	Interest only securities(4)
Non-Agency:	Non-Agency:										
Principal and interest securities	Principal and interest securities	14,752	(2,436)	12,316	1,047	(538)	12,825	8.38%	9.07%	10.12	
Principal and interest securities											
Principal and interest securities											
Interest only securities(4)	Interest only securities(4)	n/a	n/a	8,884	2,656	—	11,540	0.22%	16.22%	9.37	Interest only securities(4)
CLOs		4,500	(677)	3,823	3	(2)	3,824	13.38%	13.62%	5.25	
U.S. Treasury securities		10,470	(536)	9,934	—	(435)	9,499	3.38%	3.99%	9.76	
Preferred equity securities		n/a	n/a	203	31	—	234	n/a	n/a	n/a	
Total Long		897,868	(14,288)	899,634	4,807	(68,166)	836,275	4.27%	4.50%	8.09	
Short:											
U.S. Treasury securities		(47,229)	636	(46,593)	267	—	(46,326)	4.42%	4.59%	4.77	
Total Short		(47,229)	636	(46,593)	267	—	(46,326)	4.42%	4.59%	4.77	
CLO Notes											CLO Notes
CLO Equity											CLO Equity
Total	Total	$850,639	$ (13,652)	$853,041	$5,074	$(68,166)	$789,949	4.26%	4.50%	7.91	
Total											
Total											

(1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the weighted average coupon rates on the underlying collateral.

(2) Total long, total short, and total weighted average coupon excludes CLO equity securities and interest only RMBS and preferred equity securities. RMBS.

(3) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

(4) Weighted average coupon is based on a notional principal amount of $85.7 $76.3 million and $1.06 $1.04 billion, for Agency and non-Agency interest only securities, respectively.

December 31, 2022: 2023:

			Unamortized Premium (Discount)			Gross Unrealized			Weighted Average				
($ in thousands)	($ in thousands)	Current Principal	Unamortized Premium (Discount)	Unamortized Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon(1)(2)	Yield	Life (Years)(3)	($ in thousands)	Current Principal
Long:													
RMBS:	RMBS:												
Agency:	Agency:												
Agency:													
Agency:													
15-year fixed-rate mortgages													

15-year fixed-rate mortgages														
15-year fixed-rate mortgages	15-year fixed-rate mortgages	$ 47,453	$ 1,446	$ 48,899	$ —	$ (3,575)	$ 45,324	3.23%	2.31%	3.71		$ 28,647	$	$118
20-year fixed-rate mortgages	20-year fixed-rate mortgages	10,812	696	11,508	—	(1,817)	9,691	2.84%	1.77%	6.72	20-year fixed-rate mortgages	8,524	509	
30-year fixed-rate mortgages	30-year fixed-rate mortgages	841,823	7,345	849,168	1,316	(68,730)	781,754	3.65%	3.38%	8.38	30-year fixed-rate mortgages	697,510	(15,131)	(
Adjustable rate mortgages	Adjustable rate mortgages	8,696	899	9,595	—	(932)	8,663	3.58%	2.37%	4.50	Adjustable rate mortgages	7,127	933	
Reverse mortgages	Reverse mortgages	17,506	2,153	19,659	—	(1,807)	17,852	4.06%	2.73%	4.70	Reverse mortgages	14,406	2,183	
Interest only securities(4)	Interest only securities(4)	n/a	n/a	9,212	581	(480)	9,313	3.89%	10.56%	6.63	Interest only securities(4)	n/a		
Non-Agency:	Non-Agency:													
Principal and interest securities	Principal and interest securities	16,895	(4,481)	12,414	879	(727)	12,566	5.26%	6.65%	7.18				
Principal and interest securities														
Principal and interest securities												9,953		(1
Interest only securities(4)	Interest only securities(4)	n/a	n/a	6,289	1,849	—	8,138	0.24%	17.94%	9.58	Interest only securities(4)	n/a		
Preferred equity securities		n/a	n/a	202	6	—	208	n/a	n/a	n/a				
Total Long		943,186	8,058	966,946	4,631	(78,068)	893,509	3.66%	3.49%	7.99				
Short:														
U.S. Treasury securities		(500)	1	(499)	1	—	(498)	3.88%	3.89%	6.92				
Total Short		(500)	1	(499)	1	—	(498)	3.88%	3.89%	6.92				
CLO Notes											CLO Notes	16,876		(2
CLO Equity											CLO Equity	n/a		
Total	Total	$942,686	$ 8,059	$ 966,447	$4,632	$(78,068)	$893,011	3.66%	3.49%	7.99	Total	$ 783,043	$	$(15

(1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the coupon rates on the underlying collateral.

(2) Conformed to current period presentation. Total long, total short, and total weighted average coupon excludes CLO equity securities and interest only RMBS and preferred equity securities. RMBS.

(3) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

(4) Weighted average coupon is based on a notional principal amount of $61.1 $83.8 million and $700.5 million, $1.05 billion, for Agency and non-Agency interest only securities, respectively.

By Estimated Weighted Average Life

As of September 30, 2023 March 31, 2024:

($ in thousands)	*($ in thousands)*	Agency RMBS			Agency IOs			*($ in thousands)*	Agency RMBS					Agency IOs		
Estimated Weighted Average Life(1)	**Estimated Weighted Average Life(1)**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon(2)**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon(2)**	**Estimated Weighted Average Life(1)**	**Fair Value**		**Amortized Cost**		**Weighted Average Coupon(2)**	**Fair Value**		**Amortized Cost**
Less than three years	Less than three years	$ 19,887	$ 21,112	3.50 %	$ 442	$ 521	4.06 %	Less than three years	$ 85,771	$	$ 85,781	5.83	5.83 %	$ 1,820	$	$ 1,437

Greater than three years and less than seven years	Greater than three years and less than seven years	156,426	169,691	4.85 %	3,132	2,548	2.27 %	Greater than three years and less than seven years	290,993	297,357	297,357	5.02	5.02 %	1,481	1,246
Greater than seven years and less than eleven years	Greater than seven years and less than eleven years	613,152	665,488	4.02 %	4,271	3,898	3.60 %	Greater than seven years and less than eleven years	362,497	373,235	373,235	3.80	3.80 %	3,200	2,771
Greater than eleven years		1,043	1,216	4.00 %	—	—	— %								
Total	Total	$790,508	$ 857,507	4.16 %	$7,845	$ 6,967	2.79 %								
Total															
Total									$739,261	$ 756,373		4.49 %	$6,501		$5,454

(1) Expected average lives of RMBS are generally shorter than stated contractual maturities.

(2) Weighted average coupon represents the weighted average coupons of the securities rather than the coupon rates on the underlying collateral.

($ in thousands)	($ in thousands)	Non-Agency RMBS			Non-Agency IOs			CLOs			($ in thousands)	Non-Agency RMBS					Non-Agency
Estimated Weighted Average Life(1)	Estimated Weighted Average Life(1)	Fair Value	Amortized Cost	Weighted Average Coupon(2)	Fair Value	Amortized Cost	Weighted Average Coupon(2)	Fair Value	Amortized Cost	Weighted Average Coupon(2)	Estimated Weighted Average Life(1)	Fair Value		Amortized Cost		Weighted Average Coupon(2)	Fair Value
Less than three years	Less than three years	$ 1,779	$ 1,807	7.45 %	$ —	$ —	— %	$ —	$ —	— %	Less than three years	$1,764	$	$ 1,756	7.45	7.45 %	$ —
Greater than three years and less than seven years	Greater than three years and less than seven years	489	334	5.47 %	—	—	— %	3,824	3,823	13.38 %	Greater than three years and less than seven years	6,058	5,228	5,228	11.34	11.34 %	—
Greater than seven years and less than eleven years	Greater than seven years and less than eleven years	4,731	5,233	6.28 %	11,540	8,884	0.22 %	—	—	— %	Greater than seven years and less than eleven years	1,825	1,150	1,150	5.94	5.94 %	11,545
Greater than eleven years		5,826	4,942	11.38 %	—	—	— %	—	—	— %							
Total	Total	$12,825	$ 12,316	8.38 %	$11,540	$ 8,884	0.22 %	$3,824	$ 3,823	13.38 %	Total	$9,647	$	$ 8,134	9.38	9.38 %	$11,545

(1) Expected average lives of RMBS and CLOs are generally shorter than stated contractual maturities.

(2) Weighted average coupon represents the weighted average coupons of the securities rather than the coupon rates on the underlying collateral.

(3) CLOs excludes CLO Equity.

As of December 31, 2022 December 31, 2023:

($ in thousands)	($ in thousands)	Agency RMBS			Agency IOs			($ in thousands)	Agency RMBS			Agency IOs	
Estimated Weighted Average Life(1)	Estimated Weighted Average Life(1)	Fair Value	Amortized Cost	Weighted Average Coupon(2)	Fair Value	Amortized Cost	Weighted Average Coupon(2)	Estimated Weighted Average Life(1)	Fair Value	Amortized Cost	Weighted Average Coupon(2)	Fair Value	Amortized Cost

Less than three years	$ 17,005	$ 17,868	3.80 %	$ 797	$ 882	4.03 %
Greater than three years and less than seven years	204,858	221,291	4.10 %	3,937	3,827	4.13 %
Greater than seven years and less than eleven years	640,207	698,391	3.48 %	4,579	4,503	3.61 %
Greater than eleven years	1,214	1,279	4.50 %	—	—	— %
Total	$ 863,284	$ 938,829	3.63 %	$ 9,313	$ 9,212	3.89 %

Less than three years	$ 85,958	$	$ 85,990	5.67	5.67 %	$ 1,774	$	$ 1,566	2.[cut]
Greater than three years and less than seven years	297,251	303,424	303,424	4.67	4.67 %	1,796	1,570	1,570	
Greater than seven years and less than eleven years	344,788	355,412	355,412	3.58	3.58 %	3,845	3,471	3,471	
Total	$ 727,997	$	$ 744,826	4.25	4.25 %	$ 7,415	$	$ 6,607	2.7[cut]

(1) Expected average lives of RMBS are generally shorter than stated contractual maturities.

(2) Weighted average coupon represents the weighted average coupons of the securities rather than the coupon rates on the underlying collateral.

($ in thousands)	Non-Agency RMBS			Non-Agency IOs		
Estimated Weighted Average Life(1)(2)	Fair Value	Amortized Cost	Weighted Average Coupon(3)	Fair Value	Amortized Cost	Weighted Average Coupon(3)
Less than three years	$ 2,099	$ 2,092	5.67 %	$ —	$ —	— %
Greater than three years and less than seven years	1,889	1,763	4.67 %	—	—	— %
Greater than seven years and less than eleven years	7,911	8,559	5.34 %	8,138	6,289	0.24 %
Greater than eleven years	667	—	4.71 %	—	—	— %
Total	$ 12,566	$ 12,414	5.26 %	$ 8,138	$ 6,289	0.24 %

($ in thousands)	Non-Agency RMBS					Non-Agency IOs			
Estimated Weighted Average Life(1)	Fair Value		Amortized Cost		Weighted Average Coupon(2)	Fair Value		Amortized Cost	
Less than three years	$ 1,764	$	$ 1,749	7.45	7.45 %	$ —	$	$ —	—
Greater than three years and less than seven years	5,834	5,271	5,271	11.39	11.39 %	—	—	—	
Greater than seven years and less than eleven years	1,217	1,169	1,169	6.07	6.07 %	11,310	8,700	8,700	
Greater than eleven years	594	—	—	5.79	5.79 %	—	—	—	
Total	$ 9,409	$	$ 8,189	9.39	9.39 %	$ 11,310	$	$ 8,700	0.22

(1) Conformed to current period presentation.

(2) Expected average lives of RMBS are generally shorter than stated contractual maturities.

(3) (2) Weighted average coupon represents the weighted average coupons of the securities rather than the coupon rates on the underlying collateral.

(3) CLOs excludes CLO Equity.

The following tables reflect the components of net interest income (expense) by security type for the three- and nine-month three-month period ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three-Month Period Ended September 30, 2023			Three-Month Period Ended September 30, 2022									
		Three-Month Period Ended March 31, 2024									Three-Month Period Ended March 31, 2024			Three-Month Period Ended March 31, 2023
($ in thousands)	*($ in thousands)*	Coupon Interest	Net Amortization	Interest Income	Coupon Interest	Net Amortization	Interest Income	*($ in thousands)*	Net Coupon Interest	Net Amortization	Net Interest Income (Expense)	Net Coupon Interest	Net Amortization	Net Interest Income (Expense)
Agency RMBS	Agency RMBS	$ 9,997	$ (206)	$ 9,791	$ 8,541	$ 7	$ 8,548							
Non-Agency RMBS	Non-Agency RMBS	766	(165)	601	488	(81)	407							
CLOs	CLOs	2	—	2	—	—	—							
U.S. Treasury securities	U.S. Treasury securities	(134)	8	(126)	—	—	—							
Total	Total	$10,631	$ (363)	$10,268	$ 9,029	$ (74)	$ 8,955							

	Nine-Month Period Ended September 30, 2023			Nine-Month Period Ended September 30, 2022		
($ in thousands)	Coupon Interest	Net Amortization	Interest Income	Coupon Interest	Net Amortization	Interest Income
Agency RMBS	$ 28,858	$ (2,136)	$ 26,722	$ 26,754	$ (3,572)	$ 23,182
Non-Agency RMBS	2,160	(377)	1,783	1,392	(270)	1,122
CLOs	2	—	2	—	—	—
U.S. Treasury securities	(237)	—	(237)	—	—	—
Total	$ 30,783	$ (2,513)	$ 28,270	$ 28,146	$ (3,842)	$ 24,304

For the three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, the Catch-up Amortization Adjustment was $46 thousand and $1.4 million, respectively. For the nine-month periods ended September 30, 2023 and 2022, the Catch-up Amortization Adjustment was $(0.6) $(0.9) million and $2.5 $(0.3) million, respectively.

At September 30, 2023 March 31, 2024, the Company had gross unrealized losses on securities of $(68.2) $(21.4) million, of which $(0.1) $(1.2) million relates primarily to adverse changes in estimated future cash flows on CLOs and Agency IOs. At December 31, 2022 December 31, 2023, the Company had gross unrealized losses on securities of $(78.1) $(25.4) million, of which $(0.2) million relates primarily to adverse changes in estimated future cash flows on CLOs and Agency IOs, primarily resulting from an increase in expected prepayments. IOs.

The Company determined for certain securities that a portion of such securities' cost basis is not collectible; for the three- and nine-month three-month periods ended September 30, 2023, March 31, 2024 and 2023, the Company recognized realized losses on such securities of $(48) $(13) thousand and $(0.4) $(0.2) million, respectively. For each of the three- and nine-month periods ended September 30, 2022, the Company recognized a realized loss of $(1.0) million and $(1.5) million. Such realized losses are reflected in Net realized gains (losses) on securities, on the Consolidated Statement of Operations.

4. Valuation

The following tables present the Company's financial instruments measured at fair value on:

September 30, 2023: March 31, 2024:

(In thousands)	*(In thousands)*								
Description	Description	Level 1	Level 2	Level 3	Total				
Description									
Description						Level 1	Level 2	Level 3	Total
Assets:	Assets:								
Securities:	Securities:								
Securities:									
Securities:									

Agency RMBS:	Agency RMBS:				
Agency RMBS:					
Agency RMBS:					
15-year fixed-rate mortgages					
15-year fixed-rate mortgages					
15-year fixed-rate mortgages	15-year fixed-rate mortgages	$ —	$ 32,600	$ —	$ 32,600
20-year fixed-rate mortgages	20-year fixed-rate mortgages	—	9,074	—	9,074
30-year fixed-rate mortgages	30-year fixed-rate mortgages	—	726,345	—	726,345
Adjustable rate mortgages	Adjustable rate mortgages	—	7,154	—	7,154
Reverse mortgages	Reverse mortgages	—	15,335	—	15,335
Interest only securities	Interest only securities	—	4,706	3,139	7,845
Non-Agency RMBS	Non-Agency RMBS	—	16,426	7,939	24,365
CLOs	CLOs	—	3,824	—	3,824
U.S. Treasury securities		—	9,499	—	9,499
Preferred equity securities		234	—	—	234
Total securities, at fair value					
Total securities, at fair value					
Total securities, at fair value	Total securities, at fair value	234	824,963	11,078	836,275
Financial derivatives–assets, at fair value:	Financial derivatives–assets, at fair value:				
TBAs					
TBAs					
TBAs	TBAs	—	2,737	—	2,737
Interest rate swaps	Interest rate swaps	—	98,198	—	98,198
Futures	Futures	13	—	—	13
Total financial derivatives–assets, at fair value	Total financial derivatives–assets, at fair value	13	100,935	—	100,948

Total securities and financial derivatives–assets, at fair value	Total securities and financial derivatives–assets, at fair value	$ 247	$925,898	$11,078	$937,223
Liabilities:	Liabilities:				
Securities sold short:					
U.S. Treasury securities sold short, at fair value		$ —	$ (46,326)	$ —	$ (46,326)
Financial derivatives–liabilities, at fair value:					
Financial derivatives–liabilities, at fair value:					
Financial derivatives–liabilities, at fair value:	Financial derivatives–liabilities, at fair value:				
TBAs	TBAs	—	(1,147)	—	(1,147)
TBAs					
TBAs					
Interest rate swaps	Interest rate swaps	—	(6,250)	—	(6,250)
Futures		(1,163)	—	—	(1,163)
Credit default swaps					
Credit default swaps					
Credit default swaps	Credit default swaps	—	(280)	—	(280)
Total financial derivatives–liabilities, at fair value	Total financial derivatives–liabilities, at fair value	(1,163)	(7,677)	—	(8,840)
Total U.S. Treasury securities sold short and financial derivatives–liabilities, at fair value		$(1,163)	$ (54,003)	$ —	$ (55,166)

December 31, 2022(1):2023:

(In thousands)	*(In thousands)*				
Description	**Description**	**Level 1**	**Level 2**	**Level 3**	**Total**
Description					
Description		**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	Assets:				
Securities:	Securities:				
Securities:					
Securities:					
Agency RMBS:	Agency RMBS:				
Agency RMBS:					
Agency RMBS:					
15-year fixed-rate mortgages					

15-year fixed-rate mortgages					
15-year fixed-rate mortgages	15-year fixed-rate mortgages	$ —	$ 45,324	$ —	$ 45,324
20-year fixed-rate mortgages	20-year fixed-rate mortgages	—	9,691	—	9,691
30-year fixed-rate mortgages	30-year fixed-rate mortgages	—	781,754	—	781,754
Adjustable rate mortgages	Adjustable rate mortgages	—	8,663	—	8,663
Reverse mortgages	Reverse mortgages	—	17,852	—	17,852
Interest only securities	Interest only securities	—	5,228	4,085	9,313
Non-Agency RMBS	Non-Agency RMBS	—	8,870	11,834	20,704
Preferred equity securities		208	—	—	208
CLOs					
Total securities, at fair value	Total securities, at fair value	208	877,382	15,919	893,509
Financial derivatives–assets, at fair value:	Financial derivatives–assets, at fair value:				
TBAs	TBAs	—	3,568	—	3,568
TBAs					
TBAs					
Interest rate swaps	Interest rate swaps	—	65,202	—	65,202
Futures					
Total financial derivatives–assets, at fair value	Total financial derivatives–assets, at fair value	—	68,770	—	68,770
Total securities and financial derivatives–assets, at fair value	Total securities and financial derivatives–assets, at fair value	$208	$946,152	$15,919	$962,279
Liabilities:	Liabilities:				
Securities sold short:					
U.S. Treasury securities sold short, at fair value		$ —	$ (498)	$ —	$ (498)
Financial derivatives–liabilities, at fair value:	Financial derivatives–liabilities, at fair value:				

Financial derivatives–liabilities, at fair value:					
Financial derivatives–liabilities, at fair value:					
TBAs					
TBAs					
TBAs	TBAs	—	(664)	—	(664)
Interest rate swaps	Interest rate swaps	—	(2,373)	—	(2,373)
Futures	Futures	(82)	—	—	(82)
Credit default swaps					
Total financial derivatives–liabilities, at fair value	Total financial derivatives–liabilities, at fair value	(82)	(3,037)	—	(3,119)
Total securities sold short and financial derivatives–liabilities, at fair value		$ (82)	$ (3,535)	$ —	$ (3,617)

(1) Conformed to current period presentation.

The following tables present additional information about the Company's investments which are measured at fair value for which the Company has utilized Level 3 inputs to determine fair value.

Three-Month Period Ended September 30, 2023 March 31, 2024:

(In thousands)	Non-Agency RMBS	Agency RMBS
Beginning balance as of June 30, 2023	$ 16,337	$ 2,945
Purchases	—	436
Proceeds from sales	—	—
Principal repayments	(33)	—
(Amortization)/accretion, net	(124)	(197)
Net realized gains (losses)	6	—
Change in net unrealized gains (losses)	144	289
Transfers:		
Transfers into level 3	—	—
Transfers out of level 3	(8,391)	(334)
Ending balance as of September 30, 2023	$ 7,939	$ 3,139

(In thousands)	Non-Agency RMBS	Agency RMBS	CLOs
Ending balance as of December 31, 2023	$ 10,276	$ 3,162	$ 5,601
Purchases	—	—	16,952
Proceeds from sales	—	(263)	—
Principal repayments	(13)	—	(1,620)
(Amortization)/accretion, net	(258)	(180)	(34)
Net realized gains (losses)	42	20	34
Change in net unrealized gains (losses)	491	179	(379)
Transfers:			
Transfers into level 3	1,811	1,002	6,456
Transfers out of level 3	(6,521)	—	(1,414)
Ending balance as of March 31, 2024	$ 5,828	$ 3,920	$ 25,596

All amounts of net realized and changes in net unrealized gains (losses) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gains (losses) for both Level 3 financial instruments held by the Company at September 30, 2023 March 31, 2024, as well as Level 3 financial instruments disposed of by the Company during the three-month period ended September 30, 2023 March 31, 2024. For Level 3 financial instruments held by the Company as of September 30, 2023 March 31, 2024, change in net unrealized gains (losses) of $0.1 million, $0.2 million, and $0.3 $0.4 million, for the three-month period ended September 30, 2023 March 31, 2024 relate to non-Agency RMBS, and Agency RMBS, and CLOs, respectively.

At September 30, 2023 March 31, 2024, the Company transferred $8.7 million of assets from Level 3 to Level 2. Transfers between hierarchy levels are based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The level designation of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third party pricing sources.

Three-Month Period Ended September 30, 2022:

(In thousands)	Non-Agency RMBS	Agency RMBS
Beginning balance as of June 30, 2022	$ 16,174	$ 2,695
Purchases	—	332
Proceeds from sales	—	—
Principal repayments	(28)	—
(Amortization)/accretion, net	—	(717)
Net realized gains (losses)	(81)	(81)
Change in net unrealized gains (losses)	(165)	683
Transfers:		
Transfers into level 3	—	609
Transfers out of level 3	(5,065)	(233)
Ending balance as of September 30, 2022	$ 10,835	$ 3,288

All amounts of net realized and changes in net unrealized gains (losses) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gains (losses) for both Level 3 financial instruments held by the Company as of September 30, 2022, as well as Level 3 financial instruments disposed of by the Company, during the three-month period ended September 30, 2022. For Level 3 financial instruments held by the Company as of September 30, 2022, change in net unrealized gains (losses) of $8 thousand and $0.7 million, for the three-month period ended September 30, 2022 relate to non-Agency RMBS and Agency RMBS, respectively.

At September 30, 2022, the Company transferred $5.3 million $7.9 million of assets from Level 3 to Level 2 and $0.6 $9.3 million of assets from Level 2 to Level 3. Transfers between these hierarchy levels are based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The level designation of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third party pricing sources.

Nine-Month Period Ended September 30, 2023:

(In thousands)	Non-Agency RMBS	Agency RMBS
Beginning balance as of December 31, 2022	$ 11,834	$ 4,085
Purchases	10,378	—
Proceeds from sales	(1,461)	(1,484)
Principal repayments	(241)	(382)
(Amortization)/accretion, net	(280)	(524)
Net realized gains (losses)	168	(216)
Change in net unrealized gains (losses)	608	325
Transfers:		
Transfers into level 3	—	1,875
Transfers out of level 3	(13,067)	(540)
Ending balance as of September 30, 2023	$ 7,939	$ 3,139

All amounts of net realized and changes in net unrealized gains (losses) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gains (losses) for both Level 3 financial instruments held by the Company at September 30, 2023, as well as Level 3 financial instruments disposed of by the Company during the nine-month period ended September 30, 2023. For Level 3 financial instruments held by the Company as of September 30, 2023, change in net unrealized gains (losses) of $0.1 million, and $0.5 million, for the nine-month period ended September 30, 2023 relate to non-Agency RMBS and Agency RMBS, respectively.

At September 30, 2023, the Company transferred $13.6 million of assets from Level 3 to Level 2 and $1.9 million of assets from Level 2 to Level 3. Transfers between hierarchy levels are based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The level designation of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third party pricing sources.

Nine-Month Three-Month Period Ended September 30, 2022 March 31, 2023:

(In thousands)	*(In thousands)*	Non-Agency RMBS	Agency RMBS	*(In thousands)*	Non-Agency RMBS	Agency RMBS
Beginning balance as of December 31, 2021		$ 7,259	$ 5,654			
Ending balance as of December 31, 2022						

Purchases	Purchases	7,849	506
Proceeds from sales	Proceeds from sales	(6,502)	—
Principal repayments	Principal repayments	(103)	—
(Amortization)/accretion, net	(Amortization)/accretion, net	(72)	(1,079)
Net realized gains (losses)	Net realized gains (losses)	23	(1,006)
Change in net unrealized gains (losses)	Change in net unrealized gains (losses)	312	1,519
Transfers:	Transfers:		
Transfers into level 3	Transfers into level 3	4,511	601
Transfers into level 3			
Transfers into level 3			
Transfers out of level 3	Transfers out of level 3	(2,442)	(2,907)
Ending balance as of September 30, 2022		$10,835	$ 3,288
Ending balance as of March 31, 2023			

All amounts of net realized and changes in net unrealized gains (losses) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gains (losses) for both Level 3 financial instruments held by the Company as of September 30, 2022 March 31, 2023, as well as Level 3 financial instruments disposed of by the Company during the nine-month three-month period ended September 30, 2022 March 31, 2023. For Level 3 financial instruments held by the Company as of September 30, 2022 March 31, 2023, change in net unrealized gains (losses) of $1.2 $0.2 million and $1.1 million, $25 thousand, for the nine-month three-month period ended September 30, 2022 March 31, 2023 relate to non-Agency RMBS and Agency RMBS, respectively.

At September 30, 2022 March 31, 2023, the Company transferred $5.3 million of assets from Level 3 to Level 2 and $5.1 $3.7 million of assets from Level 2 to Level 3. Transfers between these hierarchy levels are based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The level designation of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third party pricing sources.

The following tables identify table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of September 30, 2023 and December 31, 2022 March 31, 2024:

September 30, 2023:

					Range		
Description	**Description**	**Fair Value**	**Valuation Technique**	**Significant Unobservable Input**	**Min**	**Max**	**Weighted Average**(1)
		(In thousands)					
Non-Agency RMBS	Non-Agency RMBS	$ 4,233	Market quotes	Non-Binding Third-Party Valuation	$ 0.82	$ 96.64	$ 69.85
		3,706	Discounted Cash Flows				
		$ 7,939		Yield	6.3 %	16.6 %	10.4 %
				Projected Collateral Prepayments	1.4 %	36.2 %	19.1 %
				Projected Collateral Losses	0.3 %	7.9 %	4.6 %
				Projected Collateral Recoveries	3.0 %	13.6 %	8.7 %

	Range				
Description					
Description		**Fair Value**	**Valuation Technique**	**Significant Unobservable Input**	
	(In thousands)				
Non-Agency RMBS					

Non-Agency RMBS				$ 3,038	Market quotes	Non-Binding Third-Party Valuation
	2,790					
	$					
	$					
	$			5,828		Yield
			Projected Collateral Prepayments			
			Projected Collateral Losses			
			Projected Collateral Recoveries			

Agency RMBS– Interest Only Securities	Agency RMBS– Interest Only Securities	$ 2,003	Market quotes	Non-Binding Third-Party Valuation	$3.56	$18.92	$ 6.53	Agency RMBS– Interest Only Securities	$ 2,567	Market quotes	Market quotes		Non-Binding Third-Party Valuation
		1,136	Option Adjusted Spread ("OAS")	LIBOR OAS (2)(3)	36	5,076	1,466						
		$ 3,139		Projected Collateral Prepayments	27.9 %	65.3 %	47.8 %						

	1,353		1,353	Option Adjusted Spread ("OAS")		LIBOR OAS (2)
	$		$3,920			Projec Collate Prepay
CLOs		CLOs	$15,161	Market quotes	Non-Binding Third-Party Valuation	
	10,435					
	$					
	$					
	$	25,596			Yield	

(1) Averages are weighted based on the fair value of the related instrument.

(2) Shown in basis points.

(3) For the range minimum, the range maximum, and the weighted average of LIBOR OAS, excludes Agency interest only securities with a negative LIBOR OAS, with a total fair value of $4 thousand. Including these securities, the weighted average was 1463 basis points.

December 31, 2022:

Description	Fair Value	Valuation Technique	Significant Unobservable Input	Range Min	Range Max	Weighted Average(1)
	(In thousands)					
Non-Agency RMBS	$ 10,127	Market quotes	Non-Binding Third-Party Valuation	$ 0.75	$ 81.42	$ 34.63
	1,707	Discounted Cash Flows				
	$ 11,834		Yield	5.3 %	21.6 %	9.4 %
			Projected Collateral Prepayments	25.1 %	56.9 %	31.1 %
			Projected Collateral Losses	0.0 %	8.7 %	5.7 %

				Projected Collateral Recoveries	1.6 %	15.4 %	11.1 %
Agency RMBS–Interest Only Securities	$	2,362	Market quotes	Non-Binding Third-Party Valuation	$ 13.94	$ 18.58	$ 17.62
		1,723	Option Adjusted Spread ("OAS")	LIBOR OAS (2)(3)	92	5,070	644
	$	4,085		Projected Collateral Prepayments	21.2 %	76.6 %	51.5 %

(1) Averages are weighted based on the fair value of the related instrument.

(2) Shown in basis points.

(3) For the range minimum, the range maximum, and the weighted average of LIBOR OAS, excludes Agency interest only securities with a negative LIBOR OAS, with a total fair value of $3 thousand. Including these securities, the weighted average was 641 basis points.

Third-party non-binding valuations are validated by comparing such valuations to internally generated prices based on the Company's models and, when available, to recent trading activity in the same or similar instruments. For those instruments valued using discounted cash flows, collateral prepayments, losses, recoveries, and scheduled amortization are projected over the remaining life of the collateral and expressed as a percentage of the collateral's current principal balance. For those assets valued using the LIBOR Option Adjusted Spread, or "OAS," valuation methodology, cash flows are projected using the Company's management's models over multiple interest rate scenarios, and these projected cash flows are then discounted using the LIBOR rates (which are calculated by using an assumed spread over projected Secured Overnight Financing Rates, or "SOFR" rates) implied by each interest rate scenario. The LIBOR OAS of an asset is then computed as the unique constant yield spread that, when added to all LIBOR rates in each interest rate scenario generated by the model, will equate (a) the expected present value of the projected asset cash flows over all model scenarios to (b) the actual current market price of the asset. LIBOR OAS is therefore model-dependent. Generally speaking, LIBOR OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.

Material changes in any of the inputs above in isolation could result in a significant change to reported fair value measurements. Fair value measurements are impacted by the interrelationships of these inputs. For example, a higher expectation of collateral prepayments will generally result in a lower expectation of collateral losses. Conversely, higher losses will generally result in lower prepayments. Losses and recoveries do not represent a significant input for the Company's Agency RMBS interest only securities, given the guarantee of the issuing GSE.

The following table summarizes the estimated fair value of all other financial instruments not included in the disclosures above as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		September 30, 2023		December 31, 2022						
		March 31, 2024						March 31, 2024		December 31, 2023
(In thousands)	*(In thousands)*	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**	*(In thousands)*	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
Assets:	Assets:									
Assets:										
Assets:										
Cash and cash equivalents										
Cash and cash equivalents										
Cash and cash equivalents	Cash and cash equivalents	$39,996	$39,996	$34,816	$34,816					
Due from brokers	Due from brokers	27,900	27,900	18,824	18,824					
Reverse repurchase agreements		37,103	37,103	499	499					
Liabilities:	Liabilities:									
Repurchase agreements	Repurchase agreements	811,180	811,180	842,455	842,455					
Repurchase agreements										
Repurchase agreements										
Due to brokers	Due to brokers	71,202	71,202	45,666	45,666					

Cash and cash equivalents includes cash held in interest bearing overnight accounts, for which fair value equals the carrying value, and cash held in money market accounts, which are liquid in nature and for which fair value equals the carrying value; such assets are considered Level 1 assets. Due from brokers and Due to brokers include collateral transferred to or received from counterparties, along with receivables and payables for open and/or closed derivative positions. These receivables and payables are short term in nature and any collateral transferred consists primarily of cash; fair value of these items approximates carrying value and such items are considered Level 1 assets and liabilities.

The Company's repurchase and reverse repurchase agreements are carried at cost, which approximates fair value due to their short term nature. Repurchase agreements and reverse repurchase agreements are classified as Level 2 assets and liabilities based on the adequacy of the collateral and their short term nature.

5. Financial Derivatives

The Company is exposed to manages certain risks arising from both its business operations and economic conditions. Specifically, the Company's primary source of financing is repurchase agreements and the Company enters into financial derivative and other instruments to manage exposure to variable cash flows on portions of its borrowings under those repurchase agreements. Since the interest rates on repurchase agreements typically change with market interest rates such as the Secured Overnight Financing Rate, or "SOFR," the Company is constantly exposed to changing interest rates, which accordingly affects cash flows associated with the Company's borrowings. To mitigate the effect of changes in these interest rates its investments and their related cash flows, the Company may enter into a variety of derivative contracts, borrowings, including interest rate, swaps, futures, swaptions, CDS, credit, liquidity, and TBAs. Additionally, from time foreign exchange rate risk primarily by managing the amount, sources, and duration of its investments and borrowings, and through the use of derivative financial instruments. The Company's derivative financial instruments are used to time, manage differences in the Company may use short positions in U.S. Treasury securities amount, timing, and duration of its known or expected cash receipts and its known or expected cash payments principally related to its investments and borrowings, as well as to mitigate changes in the fair value of its interest rate risk. investments that are caused by changes in overall market conditions.

The following table details the fair value of the Company's holdings of financial derivatives as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023	December 31, 2022
	(In thousands)	
Financial derivatives–assets, at fair value:		
TBA securities sale contracts	$ 2,737	$ 3,568
Fixed payer interest rate swaps	98,198	65,202
Futures	13	—
Total financial derivatives–assets, at fair value	100,948	68,770
Financial derivatives–liabilities, at fair value:		
TBA securities purchase contracts	(1,147)	(664)
Fixed payer interest rate swaps	(89)	—
Fixed receiver interest rate swaps	(6,161)	(2,373)
Futures	(1,163)	(82)
Credit default swaps	(280)	—
Total financial derivatives–liabilities, at fair value	(8,840)	(3,119)
Total, net	$ 92,108	$ 65,651

	March 31, 2024	December 31, 2023
	(In thousands)	
Financial derivatives–assets, at fair value:		
TBA securities purchase contracts	$ 28	$ 654
TBA securities sale contracts	106	—
Fixed payer interest rate swaps	80,925	67,719
Fixed receiver interest rate swaps	1,068	3,622
Futures	203	2,284
Total financial derivatives–assets, at fair value	82,330	74,279
Financial derivatives–liabilities, at fair value:		
TBA securities purchase contracts	(61)	(13)
TBA securities sale contracts	(147)	(1,863)
Fixed payer interest rate swaps	(840)	(4,182)
Fixed receiver interest rate swaps	(3,991)	(576)
Futures	—	(63)
Credit default swaps	(707)	(632)
Total financial derivatives–liabilities, at fair value	(5,746)	(7,329)
Total, net	$ 76,584	$ 66,950

Interest Rate Swaps

The following tables provide information about the Company's fixed payer interest rate swaps as of September 30, 2023 March 31, 2024 and December 31, 2022: December 31, 2023.

September 30, 2023: March 31, 2024:

				Weighted Average											
				Weighted Average											
						Remaining									
		Notional	Fair	Pay	Receive	Years to		Notional				Pay		Receive	
Maturity	Maturity	Amount	Value	Rate	Rate	Maturity	Maturity	Amount		Fair Value		Rate		Rate	
		(In thousands)													
		(In thousands)													
2024															
2024															
2024	2024	$ 73,693	$ 2,175	2.27 %	5.31 %	0.59		$61,875	$	$1,706	2.69	2.69 %		5.34 %	
2025	2025	114,117	5,070	2.73	5.32	1.74	2025	100,268	3,839	3,839	2.98	2.98	5.33	5.33	1
2027	2027	40,545	2,372	3.01	5.31	3.97	2027	40,545	2,028	2,028	3.01	3.01	5.34	5.34	3
2028	2028	122,647	9,930	2.70	5.31	4.78	2028	104,647	7,397	7,397	2.74	2.74	5.33	5.33	4
2029	2029	49,735	5,990	2.17	5.31	5.51	2029	79,000	7,482	7,482	2.40	2.40	5.34	5.34	4
2030	2030	97,200	10,989	2.50	5.31	6.67	2030	97,200	9,819	9,819	2.50	2.50	5.34	5.34	6
2031	2031	123,515	21,428	1.81	5.31	7.73	2031	123,515	18,871	18,871	1.81	1.81	5.34	5.34	7
2032	2032	104,377	20,672	1.74	5.31	8.38	2032	104,377	15,673	15,673	1.74	1.74	5.34	5.34	7
2033	2033	101,800	3,617	3.84	5.31	9.62	2033	76,900	1,151	1,151	3.69	3.69	5.34	5.34	9
2034							2034	4,050		(4)		3.86		5.33	
2037	2037	35,000	5,335	2.85	5.31	13.82	2037	35,000	4,165	4,165	2.85	2.85	5.34	5.34	13
2038	2038	39,500	1,214	4.01	5.32	14.91	2038	39,500	(428)	(428)	4.01	4.01	5.33	5.33	14
2040	2040	500	218	0.90	5.33	17.07	2040	500	186	186	0.90	0.90	5.33	5.33	16
2041	2041	10,961	4,140	1.33	5.32	17.85	2041	10,961	3,737	3,737	1.33	1.33	5.33	5.33	17
2049	2049	3,564	1,439	1.63	5.32	26.08	2049	3,564	1,264	1,264	1.63	1.63	5.33	5.33	25
2050	2050	780	444	0.64	5.32	26.79	2050	780	422	422	0.64	0.64	5.33	5.33	26
2052	2052	10,000	3,076	2.28	5.31	28.56	2052	10,000	2,777	2,777	2.28	2.28	5.34	5.34	28
Total	Total	$927,934	$98,109	2.57 %	5.31 %	6.89	Total	$892,682	$	$80,085	2.59	2.59 %		5.34 %	

December 31, 2022: 2023:

				Weighted Average											
				Weighted Average											
						Remaining									
		Notional	Fair	Pay	Receive	Years to		Notional				Pay		Receive	
Maturity	Maturity	Amount	Value	Rate	Rate	Maturity	Maturity	Amount		Fair Value		Rate		Rate	
		(In thousands)													
		(In thousands)													
2024															
2024															
2024	2024	$ 76,575	$ 2,483	2.23 %	4.37 %	1.33		$73,693	$	$2,161	2.27	2.27 %		5.38 %	
2025	2025	59,505	4,914	0.82	4.65	2.30	2025	100,268	2,960	2,960	2.98	2.98	5.39	5.39	1
2027	2027	40,545	1,313	3.01	4.30	4.71	2027	40,545	1,164	1,164	3.01	3.01	5.38	5.38	3
2028	2028	56,338	6,210	1.64	4.42	5.60	2028	104,647	5,264	5,264	2.74	2.74	5.39	5.39	4
2029	2029	49,735	4,128	2.17	4.30	6.25	2029	65,987	5,528	5,528	2.17	2.17	5.38	5.38	5
2030	2030	97,200	6,816	2.50	4.30	7.42	2030	97,200	7,141	7,141	2.50	2.50	5.38	5.38	6
2031	2031	124,124	15,689	1.94	4.47	8.48	2031	123,515	16,138	16,138	1.81	1.81	5.38	5.38	7
2032	2032	104,377	14,525	1.74	4.30	9.13	2032	104,377	15,932	15,932	1.74	1.74	5.38	5.38	8
2033							2033	76,900		(782)		3.69		5.38	
2037	2037	35,000	2,577	2.85	4.30	14.56	2037	35,000	2,842	2,842	2.85	2.85	5.38	5.38	13
2038							2038	39,500		(2,072)		4.01		5.39	
2040	2040	500	171	0.90	4.33	17.82	2040	500	165	165	0.90	0.90	5.33	5.33	16
2041	2041	11,227	3,246	1.59	4.46	18.60	2041	10,961	3,395	3,395	1.33	1.33	5.39	5.39	17

2049	2049	3,633	1,058	1.89	4.32	26.83	2049	3,564	1,156	1,156	1.63	1.63	5.39	5.39	25
2050	2050	792	371	0.90	3.91	27.54	2050	780	394	394	0.64	0.64	5.39	5.39	26
2052	2052	10,000	1,701	2.28	4.30	29.31	2052	10,000	2,151	2,151	2.28	2.28	5.38	5.38	28
Total	Total	$669,551	$65,202	2.03 %	4.38 %	7.35	Total	$887,437	$	$63,537	2.54	2.54 %		5.38 %	

The following tables provide information about the Company's fixed receiver interest rate swaps as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

September 30, 2023: March 31, 2024:

				Weighted Average											
				Weighted Average											
Maturity	Maturity	Notional Amount	Fair Value	Pay Rate	Receive Rate	Remaining Years to Maturity	Maturity	Notional Amount		Fair Value		Pay Rate		Receive Rate	Rema Year Matu
		(In thousands)													
2025		$ 1,500	$ (18)	5.31 %	4.54 %	1.71									
		(In thousands)													
2026															
2026															
2026	2026	61	(1)	5.31	4.06	2.71		$1,007	$	$(8)	5.33	5.33 %		4.26 %	
2028	2028	70	(3)	5.31	3.45	4.59	2028	26,070	(586)	(586)	5.33	5.33	3.57	3.57	4.20
2029							2029	32,074		(489)		5.33		3.70	
2030	2030	13,000	(857)	5.31	3.31	6.51	2030	13,000	(691)	(691)	5.34	5.34	3.31	3.31	6.01
2032		68,200	(2,366)	5.32	3.81	8.35									
2031							2031	25,700		(723)		5.33		3.49	
2033	2033	67,019	(2,691)	5.31	3.77	9.62	2033	95,829	606	606	5.33	5.33	3.96	3.96	9.37
2034							2034	25,401		(840)		5.33		3.48	
2040	2040	500	(225)	5.31	0.84	17.07	2040	500	(192)	(192)	5.34	5.34	0.84	0.84	16.57
Total	Total	$150,350	$(6,161)	5.32 %	3.74 %	8.72	Total	$219,581	$	$(2,923)	5.33	5.33 %		3.72 %	

December 31, 2022: 2023:

				Weighted Average												
				Weighted Average												
Maturity	Maturity	Notional Amount	Fair Value	Pay Rate	Receive Rate	Remaining Years to Maturity	Maturity	Notional Amount		Fair Value	Pay Rate		Receive Rate		Remaining Years to Maturity	
		(In thousands)														
2032		$37,009	$(2,198)	4.30 %	2.79 %	9.56										
		(In thousands)														
2026																
2026																
2026								$ 61		$ —	5.38 %		4.06 %		2.45	
2028							2028	10,070		(19)	5.39		3.50		5.00	
2029							2029	20,000		19	5.38		3.55		5.01	
2030							2030	13,000		(330)	5.38		3.31		6.26	
2031							2031	25,700		31	5.38		3.49		7.01	
2033							2033	95,829		3,572	5.39		3.96		9.62	
2034							2034	23,000		(54)	5.38		3.44		10.01	
2040	2040	500	(175)	4.30	0.84	17.82	2040	500	(173)	(173)	5.38	5.38	0.84	0.84	16.82	16.82
Total	Total	$37,509	$(2,373)	4.30 %	2.77 %	9.67	Total	$188,160	$	$3,046	5.38	5.38 %		3.71 %	8.36	

Futures

The following tables provide information about the Company's futures as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

September 30, 2023: March 31, 2024:

Description	Description	Notional Amount	Fair Value	Remaining Months to Expiration	Description	Notional Amount	Fair Value	Remaining Months to Expiration
($ in thousands)	*($ in thousands)*							
Assets:	**Assets:**							
Assets:								
Assets:								
Long Contracts:								
Long Contracts:								
Long Contracts:								
U.S. Treasury Futures								
U.S. Treasury Futures								
U.S. Treasury Futures						$ 32,100	$ 196	2.80
Short Contracts:								
U.S. Treasury Futures								
U.S. Treasury Futures								
U.S. Treasury Futures						(5,400)	1	2.97
Euro FX Futures					Euro FX Futures	(4,500)	6	2.60
Short Contracts:								
U.S. Treasury Futures		$ (5,400)	$ 13	3.00				
Liabilities:								
Long Contracts:								
U.S. Treasury Futures		59,000	(1,163)	2.76				
Total, net	**Total, net**	$ 53,600	$ (1,150)	2.78				
Total, net								
Total, net						$ 22,200	$ 203	2.80

December 31, 2022: 2023:

Description	Description	Notional Amount	Fair Value	Remaining Months to Expiration	Description	Notional Amount	Fair Value	Remaining Months to Expiration
($ in thousands)	*($ in thousands)*							
Liabilities:								
Assets:								
Assets:								
Assets:								
Long Contracts:								
Long Contracts:								
Long Contracts:	**Long Contracts:**							
U.S. Treasury Futures	U.S. Treasury Futures	$ 64,300	$ (79)	2.80				
U.S. Treasury Futures								
U.S. Treasury Futures						$ 84,600	$ 2,284	2.69
Liabilities:								
Short Contracts:								
Short Contracts:								
Short Contracts:	**Short Contracts:**							

U.S. Treasury Futures	U.S. Treasury Futures	(5,400)	(3)	3.00						
U.S. Treasury Futures										
U.S. Treasury Futures						(5,400)		(63)		2.93
Total, net	**Total, net**	$ 58,900	$ (82)	2.81	**Total, net**	$ 79,200	$	$ 2,221	2.70	2.70

TBAs

The Company transacts in the forward settling TBA market. Pursuant to these TBA transactions, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. TBAs are generally liquid, have quoted market prices, and represent the most actively traded class of MBS. The Company uses TBAs to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for speculative purposes, including holding long positions.

The Company does not generally take delivery of TBAs; rather, it settles the associated receivable and payable with its trading counterparties on a net basis. Transactions with the same counterparty for the same TBA that result in a reduction of the position are treated as extinguished.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had outstanding contracts to purchase ("long positions") and sell ("short positions") TBA securities as follows:

			September 30, 2023				**December 31, 2022**										
			March 31, 2024									**March 31, 2024**					
TBA Securities	**TBA Securities**		**Notional Amount(1)**	**Cost Basis(2)**	**Market Value(3)**	**Net Carrying Value(4)**	**Notional Amount (1)**	**Cost Basis(2)**	**Market Value(3)**	**Net Carrying Value(4)**	**TBA Securities**	**Notional Amount(1)**	**Cost Basis(2)**	**Market Value(3)**	**Net Carrying Value(4)**	**Notional Amount(1)**	**Cos Basis**
(In thousands)	*(In thousands)*																
Purchase contracts:	Purchase contracts:																
Purchase contracts:																	
Purchase contracts:																	
Assets																	
Assets																	
Assets																	
Liabilities	Liabilities		$ 68,064	$ 65,268	$ 64,121	$(1,147)	$ 81,759	$ 81,498	$ 80,834	$ (664)							
		66,220															
Sale contracts:	Sale contracts:																
Assets	Assets		(116,747)	(103,007)	(100,270)	2,737	(258,253)	(234,384)	(230,816)	3,568							
Assets																	
Assets																	
Liabilities																	
		(66,830)															
Total TBA securities, net	Total TBA securities, net		$(48,683)	$(37,739)	$(36,149)	$ 1,590	$(176,494)	$(152,886)	$(149,982)	$ 2,904							

(1) Notional amount represents the principal balance of the underlying Agency RMBS.

(2) Cost basis represents the forward price to be paid (received) for the underlying Agency RMBS.

(3) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of period end.

(4) Net carrying value represents the difference between the market value of the TBA contract as of period end and the cost basis and is reported in Financial derivatives-assets at fair value and Financial derivatives-liabilities at fair value on the Consolidated Balance Sheet.

The table below details the average notional values of the Company's financial derivatives, using absolute value of month end notional values, for the nine-month three-month period ended September 30, 2023 March 31, 2024 and the year ended 2022: December 31, 2023:

Derivative Type	Derivative Type	Nine-Month Period Ended September 30, 2023	Year Ended December 31, 2022	Derivative Type	Three-Month Period Ended March 31, 2024	Year Ended December 31, 2023
		(In thousands)				
		(In thousands)				(In thousands)
Interest rate swaps	Interest rate swaps	$ 805,825	$ 653,115			
TBAs	TBAs	319,767	343,695			
Futures	Futures	65,990	110,415			
Credit default swaps	Credit default swaps	12,297	—			

Gains and losses on the Company's financial derivatives for the three- and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022 2023 are summarized in the tables below:

Derivative Type	Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives	Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
		Three-Month Period Ended September 30, 2023												
		Three-Month Period Ended March 31, 2024							Three-Month Period Ended March 31, 2024					
(In thousands)	(In thousands)													
Interest rate swaps														
Interest rate swaps														
Interest rate swaps	Interest rate swaps	$ 796	$ (2,892)	$ (2,096)	$ 4,913	$ 19,508	$ 24,421							
TBAs	TBAs		5,441	5,441		1,298	1,298							
Futures	Futures		(2,033)	(2,033)		(582)	(582)							
Credit Default Swaps	Credit Default Swaps		(160)	(160)		139	139							
Total	Total	$ 796	$ 356	$ 1,152	$ 4,913	$ 20,363	$ 25,276							

Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
	Three-Month Period Ended September 30, 2022					

Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
(In thousands)						
Interest rate swaps	$ 364	$ (250)	$ 114	$ 19	$ 30,276	$ 30,295
TBAs		2,280	2,280		5,758	5,758
Futures		(39)	(39)		(228)	(228)
Total	$ 364	$ 1,991	$ 2,355	$ 19	$ 35,806	$ 35,825

	Nine-Month Period Ended September 30, 2023					
Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
(In thousands)						
Interest rate swaps	$ 6,507	$ 13,751	$ 20,258	$ 8,463	$ 2,075	$ 10,538
TBAs		9,240	9,240		(1,314)	(1,314)
Futures		(2,198)	(2,198)		(1,068)	(1,068)
Credit Default Swaps		(178)	(178)		21	21
Total	$ 6,507	$ 20,615	$ 27,122	$ 8,463	$ (286)	$ 8,177

Nine-Month Period Ended September 30, 2022

Three-Month Period Ended March 31, 2023

Derivative Type	Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
(In thousands)	*(In thousands)*						
Interest rate swaps							
Interest rate swaps							
Interest rate swaps	Interest rate swaps	$ (485)	$ 8,278	$ 7,793	$ (352)	$ 57,205	$ 56,853
TBAs	TBAs		19,083	19,083		3,698	3,698
Futures	Futures		21,310	21,310		(400)	(400)
Total	Total	$ (485)	$ 48,671	$ 48,186	$ (352)	$ 60,503	$ 60,151

	Three-Month Period Ended March 31, 2023					
Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives

At September 30, 2023 March 31, 2024, the Company purchased protection on held credit default swaps representing purchased protection on corporate bond indices with a notional value of $23.0 $24.0 million and a fair value of $(0.3) $(0.7) million; the weighted average remaining maturity on such contracts was 5.23 5.2 years. At December 31, 2023, the Company held credit default swaps representing purchased protection on corporate bond indices with a notional value of $25.9 million and a fair value of $(0.6) million; the weighted average remaining maturity on such contracts was 5.0 years.

6. Borrowings under Repurchase Agreements

The Company enters into repurchase agreements. A repurchase agreement involves the sale of an asset to a counterparty together with a simultaneous agreement to repurchase the transferred asset or similar asset from such counterparty at a future date. The Company accounts for its repurchase agreements as collateralized borrowings, with the transferred assets effectively serving as collateral for the related borrowing. The Company's repurchase agreements typically range in term from 30 to 364 days. The principal economic terms of each repurchase agreement—such as loan amount, interest rate, and maturity date—are typically negotiated on a transaction-by-transaction basis. Other terms and conditions, such as relating to events of default, are typically governed under the Company's master repurchase agreements. Absent an event of default, the Company maintains beneficial ownership of the transferred securities during the term of the repurchase agreement and receives the related principal and interest payments. Interest rates on these borrowings are generally fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the repurchase agreement at which time the Company may enter into a new repurchase agreement at prevailing market rates with the same counterparty, repay that counterparty and possibly negotiate financing terms with a different counterparty, or choose to no longer finance the related asset. In response to a decline in the fair value of the transferred securities, whether as a result of changes in market conditions, security paydowns, or other factors, repurchase agreement counterparties will typically make a margin call, whereby the Company will be required to post additional securities and/or cash as collateral with the counterparty in order to re-establish the agreed-upon collateralization requirements. In the event of increases in fair value of the transferred securities, the Company generally can require the counterparty to post collateral with it in the form of cash or securities. The Company is generally permitted to sell or re-pledge any securities posted by the counterparty as collateral; however, upon termination of the repurchase agreement, or other circumstance in which the counterparty is no longer required to post such margin, the Company must return to the counterparty the same security that had been posted. The contractual amount (loan amount) of the Company's repurchase agreements approximates fair value, based on the short-term nature of the debt and the adequacy of the collateral.

At any given time, the Company seeks to have its outstanding borrowings under repurchase agreements with several different counterparties in order to reduce the exposure to any single counterparty. As of September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, the Company had outstanding borrowings under repurchase agreements with 19 and 16 counterparties, respectively.

counterparties.

The following table details the Company's outstanding borrowings under repurchase agreements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		September 30, 2023			December 31, 2022									
			Weighted Average			Weighted Average								
		March 31, 2024												Mar
			Weighted Average											
Remaining Days to Maturity	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Remaining Days to Maturity	Borrowings Outstanding		Interest Rate		Remaining Days to Maturity	B O
Agency RMBS:	Agency RMBS:	*(In thousands)*			*(In thousands)*									
30 days or less														
30 days or less														
30 days or less	30 days or less	$ 467,898	5.47 %	17	$ 559,178	4.00 %	14		$635,342	5.46	5.46 %		12	$676,(
31-60 days	31-60 days	249,540	5.48	45	207,066	2.68	43	31-60 days	1,238	6.00	6.00	53	53	
61-90 days	61-90 days	16,181	5.56	75	61,492	4.00	73	61-90 days	11,396	5.62	5.62	73	73	
91-120 days		47,782	5.44	93	—	—	—							
151-180 days		3,979	6.23	158	—	—	—							
181-360 days														
181-360 days														
181-360 days														
Total Agency RMBS	Total Agency RMBS	785,380	5.47	33	827,736	3.67	26	Total Agency RMBS	658,390	5.46	5.46	17	17	
Non-Agency RMBS:														
Non-Agency RMBS and CLOs:														
30 days or less														
30 days or less														
30 days or less	30 days or less	1,680	7.04	27	4,748	5.33	4		4,920	6.85	6.85	13	13	

31-60 days	31-60 days	5,348	6.78	57	3,503	5.88	48
61-90 days	61-90 days	9,126	6.78	69	6,468	5.73	66
Total Non-Agency RMBS		16,154	6.81	61	14,719	5.64	42
Total Non-Agency RMBS and CLOs							
U.S. Treasury Securities	U.S. Treasury Securities						
30 days or less							
30 days or less							
30 days or less	30 days or less	9,646	5.40	2	—	—	—
Total U.S. Treasury Securities	Total U.S. Treasury Securities	9,646	5.40	2	—	—	—
Total	Total	$ 811,180	5.50 %	33	$ 842,455	3.70 %	26

31-60 days	2,047	6.65	6.65	46		46
61-90 days	4,290	6.52	6.52	68		68
Total Non-Agency RMBS and CLOs	11,257		6.69		40	18
	13,524	4.71	4.71	1		1
Total U.S. Treasury Securities	13,524	4.71	4.71	1		1
Total	$ 683,171	5.47	5.47 %		17	

Repurchase agreements involving underlying investments that the Company sold prior to period end, for settlement following period end, are shown using their contractual maturity dates even though such repurchase agreements may be expected to be terminated early upon settlement of the sale of the underlying investment.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the fair value of securities transferred as collateral under outstanding borrowings under repurchase agreements was $834.2 $722.3 million and $882.0 million $791.5 million, respectively. Collateral transferred under outstanding borrowings under repurchase agreements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, includes RMBS in the amount of $7.1 $37.5 million and $33.0 $51.0 million, respectively, that were sold prior to period end but for which such sale had not yet settled. In addition as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company was posting to posted to/(received from) repurchase agreement counterparties net cash collateral of $23.6 million $0.6 million and $10.3 million, $(11.2) million, respectively, as a result of margin calls with various repurchase agreement counterparties. Additionally, as of March 31, 2024 and December 31, 2023, repurchase agreement counterparties posted/(received) RMBS of $(1.4) million and $0.8 million, respectively, to/(from) the Company as a result of margin calls.

Amount at risk represents the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repurchase agreements. There was no counterparty for which the amount at risk was greater than 10% of shareholders' equity as of either September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

7. Offsetting of Assets and Liabilities

The Company records certain financial instruments at fair value as described in Note 2. In connection with its financial derivatives, repurchase agreements, and related trading agreements, the Company and its counterparties are required to pledge collateral. Cash or other collateral is exchanged as required with each of the Company's counterparties in connection with open derivative positions and repurchase agreements.

The following tables present information about certain assets and liabilities representing financial instruments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Company has not previously entered into master netting agreements with any of its counterparties. Certain of the Company's repurchase and reverse repurchase agreements and financial derivative transactions are governed by underlying agreements that generally provide a right of net settlement, as well as a right of offset in the event of default or in the event of a bankruptcy of either party to the transaction.

September 30, 2023: March 31, 2024:

Description	Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet(1)	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral(2)(3)	Cash Collateral (Received) Pledged(2)(3)	Net Amount	Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet(1)	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral(2)(3)	Cash Collateral (Received) Pledged(2)(3)	Net Amount
(In thousands)	*(In thousands)*											
Assets:	**Assets:**											
Assets:												

Assets:						
Financial derivatives–assets	Financial derivatives–assets	$ 100,948	$ (7,024)	$ —	$ (71,185)	$22,739
Reverse repurchase agreements		37,103	(9,645)	(27,458)	—	—
Financial derivatives–assets						
Financial derivatives–assets						
Liabilities:	**Liabilities:**					
Financial derivatives–liabilities	Financial derivatives–liabilities	(8,840)	7,024	—	1,716	(100)
Financial derivatives–liabilities						
Financial derivatives–liabilities						
Repurchase agreements	Repurchase agreements	(811,180)	9,645	777,954	23,581	—

(1) In the Company's Consolidated Balance Sheet, all balances associated with repurchase and reverse repurchase agreements and financial derivatives are presented on a gross basis.

(2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative assets and liabilities. Total As of March 31, 2024, the fair value of financial instruments transferred or pledged as collateral on the Company's repurchase agreements, net of the fair value of any financial instruments received by the Company as the result of September 30, 2023 margin calls, were $834.2 million $723.7 million. As of September 30, 2023 March 31, 2024, total cash collateral (received) pledged on financial derivative assets and financial derivative liabilities excludes $0.2 million $2.8 million and $2.2 $0.3 million, respectively, of net excess cash collateral.

(3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above table, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

December 31, 2022: 2023:

Description	Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet(1)	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral(2)(3)	Cash Collateral (Received) Pledged(2)(3)	Net Amount	Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet(1)	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral(2)(3)	Cash Collateral (Received) Pledged(2)(3)	Net Amount
(In thousands)	*(In thousands)*											
Assets:	**Assets:**											
Assets:												
Assets:												
Financial derivatives–assets	Financial derivatives–assets	$ 68,770	$ (2,995)	$ —	$ (41,453)	$24,322						
Reverse repurchase agreements		499	(499)	—	—	—						
Financial derivatives–assets												
Financial derivatives–assets												
Liabilities:	**Liabilities:**											
Financial derivatives–liabilities	Financial derivatives–liabilities	(3,119)	2,995	—	—	(124)						

Financial derivatives–liabilities						
Financial derivatives–liabilities						
Repurchase agreements	Repurchase agreements	(842,455)	499	831,685	10,271	—

(1) In the Company's Consolidated Balance Sheet, all balances associated with repurchase and reverse repurchase agreements and financial derivatives are presented on a gross basis.

(2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative assets and liabilities. Total As of December 31, 2023, the fair value of financial instruments transferred or pledged as collateral on the Company's repurchase agreements, net of the fair value of any financial instruments received by the Company as a result of December 31, 2022 margin calls, were $882.0 million $790.6 million. As of December 31, 2022 December 31, 2023, total cash collateral (received) pledged on financial derivative assets and financial derivative liabilities excludes $4.3 million $1.4 million and $0.1 million, respectively, of net excess cash collateral.

(3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above table, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

8. Earnings Per Share

Basic earnings per share, or "EPS," is calculated by dividing net income (loss) for the period by the weighted average of the Company's common shares outstanding for the period. Diluted EPS takes into account the effect of outstanding dilutive instruments, such as share options and warrants, if any, and uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company did not have any dilutive instruments outstanding.

The following table presents a reconciliation of the earnings/(losses) and shares used in calculating basic EPS for the three- and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three-Month Period Ended		Nine-Month Period Ended				
		Three-Month Period Ended					Three-Month Period Ended	
(In thousands except for share amounts)	*(In thousands except for share amounts)*	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**	*(In thousands except for share amounts)*	**March 31, 2024**	**March 31, 2023**
Numerator:	**Numerator:**							
Net income (loss)	Net income (loss)	$ (11,420)	$ (13,671)	$ (7,880)	$ (41,878)			
Net income (loss)								
Net income (loss)								
Denominator:	**Denominator:**							
Basic and diluted weighted average shares outstanding	Basic and diluted weighted average shares outstanding	15,199,837	13,146,727	14,273,071	13,121,214			
Basic and diluted weighted average shares outstanding								
Basic and diluted weighted average shares outstanding								
Basic and diluted earnings per share	Basic and diluted earnings per share	$ (0.75)	$ (1.04)	$ (0.55)	$ (3.19)			

9. Related Party Transactions

Management Agreement

The Company is party to the Management Agreement, which has a current term that expires on September 24, 2023, and has been, and is expected to be, renewed automatically each year thereafter for an additional one-year period, subject to certain termination rights. September 24, 2024. The Company is externally managed and advised by the Manager. Pursuant to the terms of the Management Agreement, the Manager provides the Company with its management team, including its officers, and appropriate support personnel. The Company does not have any employees. The Manager is responsible for the day-to-day operations of the Company.

The Manager receives an annual management fee in an amount equal to 1.50% per annum of shareholders' equity (as defined in the Management Agreement) as of the end of each fiscal quarter (before deductions for any management fee with respect to such fiscal period). The management fee is payable quarterly in arrears. For each of the three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, the total management fee incurred was $0.5 million and $0.4 million. For million, respectively.

The Management Agreement has historically been renewed automatically each year. However, as described in Note 1, later in 2024 the Company intends to convert to a closed-end fund to be treated as a regulated investment company, subject to shareholder approval of the nine-month periods ended September 30, 2023 and 2022, the total certain matters, which would include approval of a new management fee incurred was $1.3 million. agreement.

Services Agreement

The Manager and EMG are parties to a services agreement, pursuant to which EMG is required to provide to the Manager sufficient personnel, services, and resources to enable the Manager to carry out its obligations and responsibilities under the Management Agreement. The Company is a named third-party beneficiary to the services agreement and, as a result, has, as a non-exclusive remedy, a direct right of action against EMG in the event of any breach by the Manager of any of its duties, obligations, or agreements under the Management Agreement that arise out of or result from any breach by EMG of its obligations under the services agreement. The services agreement will terminate upon the termination of the Management Agreement. Pursuant to the services agreement, the Manager makes certain payments to EMG in connection with the services provided. The Manager and EMG have overlapping ownership and are under common control.

Expense Reimbursement

Under the terms of the Management Agreement, the Company is required to reimburse the Manager for operating expenses related to the Company that are incurred by the Manager, including expenses relating to legal, accounting, due diligence, other services, and all other costs and expenses. The Company's reimbursement obligation is not subject to any dollar limitation. Expenses will be reimbursed in cash within 60 days following delivery of the expense statement by the Manager; provided, however, that such reimbursement may be offset by the Manager against amounts due to the Company from the Manager. The Company will not reimburse the Manager for the salaries and other compensation of the Manager's personnel except that the Company will be responsible for expenses incurred by the Manager in employing certain dedicated or partially dedicated personnel as further described below.

The Company reimburses the Manager for the allocable share of the compensation, including, without limitation, wages, salaries, and employee benefits paid or reimbursed, as approved by the Compensation Committee of the Board of Trustees, to certain dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, such personnel will devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

During the nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company reimbursed the Manager $1.9 $1.0 million and $1.8 $0.9 million, respectively, for previously incurred operating and compensation expenses. As of both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the outstanding payable to the Manager for operating and compensation expenses was $0.4 million and is included in Accrued expenses on the Consolidated Balance Sheet.

Termination Fee

The Management Agreement requires the Company to pay a termination fee to the Manager in the event of (1) the Company's termination or non-renewal of the Management Agreement without cause or (2) the Manager's termination of the Management Agreement upon a default by the Company in the performance of any material term of the Management Agreement. Such termination fee will be equal to 5% of Shareholders' Equity, as defined in the Management Agreement as of the month-end preceding the date of the notice of termination or non-renewal of the Management Agreement.

10. Capital

The Company has authorized 500,000,000 common shares, $0.01 par value per share, and 100,000,000 preferred shares, $0.01 par value per share. The Board of Trustees may authorize the issuance of additional shares of either class. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were 15,870,141 19,819,610 and 13,377,840 18,601,464 common shares outstanding, respectively. No preferred shares have been issued.

Detailed below is a roll forward of the Company's common shares outstanding for the three- and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three-Month Period Ended		Nine-Month Period Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Common Shares Outstanding (6/30/2023, 6/30/2022, 12/31/2022, and 12/31/2021, respectively)	14,378,193	13,079,394	13,377,840	13,109,926
Share Activity:				
Common shares repurchased	—	(9,489)	—	(40,021)
Common shares issued	1,459,028	148,349	2,462,489	148,349
Restricted common shares issued	32,920	27,044	32,920	27,044
Forfeiture of common shares to satisfy tax withholding obligations	—	—	(3,108)	—
Common Shares Outstanding (9/30/2023, 9/30/2022, 9/30/2023, and 9/30/2022, respectively)	15,870,141	13,245,298	15,870,141	13,245,298
Unvested restricted shares outstanding (9/30/2023, 9/30/2022, 9/30/2023, and 9/30/2022, respectively)	50,680	42,795	50,680	42,795

	Three-Month Period Ended	
	March 31, 2024	March 31, 2023

Common Shares Outstanding (12/31/2023 and 12/31/2022, respectively)	18,601,464	13,377,840
Share Activity:		
Common shares issued	1,218,146	455,671
Forfeiture of common shares to satisfy tax withholding obligations	—	(3,108)
Common Shares Outstanding (3/31/2024 and 3/31/2023, respectively)	19,819,610	13,830,403
Unvested restricted shares outstanding (3/31/2024 and 3/31/2023, respectively)	53,448	44,804

The below table provides details on the Company's restricted shares granted pursuant to share award agreements which are unvested at September 30, 2023 March 31, 2024:

Grant Recipient	Number of Restricted Shares Granted	Grant Date	Vesting Date(1)
Independent trustees:			
	32,920	September 13, 2023	September 12, 2024
Partially dedicated employees:			
	5,649 6,055	December 16, 2021	December 16, 2023
	6,056	December 15, 2022	December 15, 2023
	6,055	December 15, 2022	December 15, 2024
	7,237	December 14, 2023	December 14, 2024
	7,236	December 14, 2023	December 14, 2025

(1) Date at which such restricted shares will vest and become non-forfeitable.

On May 16, 2023, the Company's 2023 Equity Incentive Plan became effective and replaced the Company's 2013 Equity Incentive Plan. Awards previously granted under the 2013 Equity Incentive Plan remain outstanding and valid in accordance with their terms, but no new awards will be granted under the 2013 Equity Incentive Plan. As of September 30, 2023 March 31, 2024, there were 1,011,997 1,143,843 shares available for future issuance under the Company's 2023 Equity Incentive Plan.

On June 13, 2018, the Company's Board of Trustees approved the adoption of a share repurchase program under which the Company is authorized to repurchase up to 1.2 million common shares. The program, which is open-ended in duration, allows the Company to make repurchases from time to time on the open market or in negotiated transactions, including through Rule 10b5-1 plans. Repurchases are at the Company's discretion, subject to applicable law, share availability, price and its financial performance, among other considerations. During the three-month period ended September 30, 2022, the Company repurchased 9,489 of its common shares at an aggregate cost of $0.1 million, and an average price of per share of $6.53. During the nine-month period ended September 30, 2022, the Company repurchased 40,021 of its common shares at an aggregate cost of $0.3 million, and an average price of per share of $6.56. From inception of the current share repurchase program adopted on June 13, 2018 through September 30, 2023 March 31, 2024, the Company repurchased 474,192 of its common shares at an aggregate cost of $4.4 million, and an average price per share of $9.21. The Company did not repurchase any shares during either of the three- or nine-month three-month periods ended September 30, 2023. March 31, 2024 and 2023.

On April 2, 2021, the Company commenced implemented an "at-the-market" offering program, or "ATM the "2021 ATM program," by entering into equity distribution agreements with third party sales agents under which it was authorized to offer and sell up to $75.0 million of common shares from time to time. During The 2021 ATM program was terminated in connection with the establishment of the 2023 ATM program, hereinafter defined. On November 14, 2023, the Company implemented an "at the market" offering program, or the "2023 ATM program," by entering into equity distribution agreements with third party sales agents under which it was authorized to offer and sell up to $100.0 million of common shares from time to time. In the aggregate, under the 2021 ATM program and 2023 ATM program, during the three-month period ended September 30, 2023 March 31, 2024, the Company issued 1,459,028 1,218,146 common shares, under the ATM program, which provided $9.8 $7.4 million of net proceeds after $0.2 $0.1 million of agent commissions and offering costs. During the nine-month period ended September 30, 2023, the Company issued 2,462,489 common shares under the ATM program, which provided $17.1 million of net proceeds after $0.4 million of agent commissions and offering costs. As of September 30, 2023 March 31, 2024, the Company's remaining authorization under the 2023 ATM program was $53.7 $78.4 million.

Distribution Policy

The timing and frequency of distributions will be determined by the Board of Trustees based upon a variety of factors deemed relevant by the Company's trustees, including restrictions under applicable law and capital requirements of the Company, and the REIT requirements of the Code. Company. Distributions to shareholders generally will be taxable as ordinary income, although a portion of such distributions may be designated as long-term capital gain or qualified dividend income, or may constitute a return of capital. The Company will furnish annually to each shareholder a statement setting forth distributions paid or deemed paid during the preceding year and their U.S. federal income tax treatment. It

11. Income Taxes

Effective for the tax year beginning January 1, 2024, the Company has revoked its prior REIT election and is the intention operating as a taxable C-Corp, subject to applicable U.S. federal, state, and local income tax. The Company had a pre-tax U.S. federal net operating loss carryforward ("NOL Carryforward") of approximately $36.2 million and $39.0 million as of March 31, 2024 and December 31, 2023, respectively. As a result of the change from a REIT to a taxable C-Corp, as of January 1, 2024, the Company is establishing a deferred tax asset related to distribute at least 100% its NOL Carryforward, which it plans to utilize to offset a majority of its REIT U.S. federal taxable income after application and a portion of available its state and local taxable income, as discussed in more detail below.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*, or "ASC 740." Deferred income taxes reflect the net tax attributes, within effects of temporary differences that may exist between the carrying amounts of assets and liabilities under U.S. GAAP and the carrying amounts used for income tax purposes. For the three-month period ended March 31, 2024, the Company recorded an income tax expense (benefit) of $0.3 million. No such expense was recorded for the three-month

period ended March 31, 2023, during which time limits prescribed by the Internal Revenue Code, Company was operating as a REIT and generally not subject to income tax.

The Company evaluates its deferred tax assets for recoverability using an approach which considers the relative impact of negative and positive evidence, including historical profitability and projections of future taxable income. For the three-month period ended March 31, 2024, the Company anticipates utilizing approximately $0.6 million of its deferred tax assets to offset a portion of its taxable income, and is recording a valuation allowance of $11.1 million to fully reserve against the remaining deferred tax assets.

The Company is subject to a federal tax rate of 21%, and expected state and local taxes with a combined estimated rate of 9.52%. The establishment of the deferred benefit has reduced our estimated effective federal tax rate to 3.3% and combined state and local tax rate to 3.8%.

Based on its analysis of any potential uncertain income tax positions, the Company concluded that it did not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of March 31, 2024 or December 31, 2023. Tax authorities in the relevant jurisdictions may extend into select the subsequent taxable year. Company's tax returns for audit and propose adjustments before the expiration of the statute of limitations. Tax returns filed for the Company's open tax years or any ongoing audits remain open to adjustment in the major tax jurisdictions.

11. 12. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. The Company provides current trustees and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Company.

In the normal course of business the Company may also enter into contracts that contain a variety of representations, warranties, and general indemnifications. The Company's maximum exposure under these arrangements, including future claims that may be made against the Company that have not yet occurred, is unknown. The Company has not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. The Company has no liabilities recorded for these agreements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and management is not aware of any significant contingencies at September 30, 2023 March 31, 2024.

12. 13. Subsequent Events

Dividends

On October 6, 2023 April 8, 2024, the Board of Trustees approved a monthly dividend in the amount of $0.08 per share payable on November 27, 2023 May 28, 2024 to shareholders of record as of October 31, 2023 April 30, 2024.

On November 7, 2023 May 7, 2024, the Board of Trustees approved a monthly dividend in the amount of $0.08 per share payable on December 26, 2023 June 25, 2024 to shareholders of record as of November 30, 2023 May 31, 2024.

Rights Agreement

As discussed in Note 11, the Company has generated a NOL carryforward and it may generate NOL carryforwards in the future. Section 382 of the Code of 1986 ("Section 382") contains rules that limit the ability of a company that undergoes an "ownership change" as defined in Section 382 to utilize its NOL carryforwards and certain built-in losses recognized in years after the ownership change. A company generally experiences an ownership change if the percentage of the value of its shares owned by certain "5% shareholders, as such term is defined in Section 382, increases by more than 50% over a rolling three-year period.

If the Company undergoes an ownership change for purposes of Section 382 as a result of future transactions involving its shares, including purchases or sales of shares by current or future 5% shareholders or new issuance of shares by the Company, its ability to use its NOL carryforwards and to recognize certain built-in losses would be subject to the limitations of Section 382. Depending on the resulting limitation, a significant portion of the Company's NOL carryforwards could expire before the Company would be able to use them or could be significantly delayed in their application to offsetting income.

The Company has entered into a Rights Agreement with Equiniti Trust Company, LLC (the "Rights Agreement"); for additional details see the Company's Current Report on Form 8-K filed on April 23, 2024. The Rights Agreement is designed to preserve shareholder value and the value of certain tax assets primarily associated with NOL carryforwards and built-in losses under Section 382. The Rights Agreement is intended to act as a deterrent to any person or group acquiring 4.9% or more of our outstanding common shares, without the approval of the Company's Board of Trustees.

The Rights Agreement will expire on the earliest of April 23, 2025 or certain events as outlined in the Rights Agreement, such as if the Board determines that no applicable tax benefits may be carried forward or if the Company completes a conversion to a closed-end fund registered under the Investment Company Act of 1940, as amended, that would be treated as a RIC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, except where the context suggests otherwise, "EARN," "we," "us," and "our" refer to Ellington Residential Mortgage REIT Credit Company and its subsidiaries, our "Manager" refers to Ellington Residential Mortgage Credit Company Management LLC, our external manager, and "Ellington" refers to Ellington Management Group, L.L.C. and its affiliated investment advisory firms.

Special Note Regarding Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission, or the "SEC," or in press releases or other written or oral communications, statements which are not historical in nature, including those containing words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions or their negative forms or references to strategy, plans or intentions, are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and, as such, may involve known and unknown risks, uncertainties and assumptions. Actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events.

Forward-looking statements are based on our beliefs, assumptions, and expectations of our future operations, business strategies, performance, financial condition, liquidity and prospects, taking into account all information currently available to us. These beliefs, assumptions, and expectations are subject to numerous risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations and strategies may vary materially from those expressed or implied in our forward-looking statements. statements or from our beliefs, expectations, estimates and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. The following factors are examples of those that could cause actual results to vary from those stated or implied by our forward-looking statements: changes in interest rates and the market value of our securities; securities or our investments; our use of and dependence on leverage; future changes with respect to the Federal National Mortgage Association, or "Fannie Mae," and Federal Home Loan Mortgage Corporation, or "Freddie Mac," and related events, including the lack of certainty as to the future roles of these entities and the U.S. Government in the mortgage market and changes to legislation and regulations affecting these entities; market volatility; our ability to pivot our investment strategy to focus on CLOs; a deterioration in the CLO market, our ability to utilize our NOLs; our ability to convert to a closed end fund/RIC, including our ability to obtain shareholder approval of our conversion to a closed end fund/RIC; our ability to exit investments in a timely manner; changes in our investment objectives and strategy; changes in the prepayment rates on the mortgage loans underlying the securities we own and intend to acquire; own; changes in rates of default and/or recovery rates on our non-Agency assets; rates; our ability to borrow to finance our assets; assets and the available terms for such borrowings; changes in government regulations affecting our business; our ability to maintain our exclusion from registration under the Investment Company Act of 1940, as amended, or the "Investment Company Act"; and risks associated with investing in real estate assets, including changes in business conditions; and other changes in markets conditions and the general economy, trends, such as those resulting from the economic effects related changes to the COVID-19 pandemic, fiscal or monetary policy, heightened inflation, slower growth or recession, and associated responses to the pandemic. currency fluctuations. These and other risks, uncertainties and factors, including the risk factors described under Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 and the risk factors described under Part II, Item 1A of this Quarterly Report on Form 10-Q, for the fiscal quarter ended September 30, 2023, could cause our actual results to differ materially from those projected or implied in any forward-looking statements we make. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Executive Summary

We are were initially formed in August 2012 as a Maryland real estate investment trust, or "REIT," formed in August 2012 that specializes specialized in acquiring, investing in, and managing residential mortgage- and real estate-related and other assets. Our primary objective is to generate attractive current yields and risk-adjusted total returns for our shareholders by making investments that we believe compensate us appropriately for the risks associated with them. We seek to attain this objective by constructing and actively managing a portfolio assets consisting primarily of residential mortgage-backed securities, or "RMBS," for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity, or "Agency RMBS," and RMBS that do not carry such guarantees, or "non-Agency RMBS," such as RMBS backed by prime jumbo, Alternative A-paper, mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the Consumer Financial Protection Bureau, or "non-QM loans," mortgages on single-family-rental properties, manufactured housing, and subprime residential mortgage loans. We also acquire and manage

On March 29, 2024, our Board of Trustees approved a strategic transformation, the "CLO Strategic Transformation," of our investment strategy to focus on corporate collateralized loan obligations, or "CLOs." We CLOs are a form of asset-backed security collateralized by syndicated corporate loans which receive interest and principal cash flows from these underlying loans. Senior debt tranches are paid first, then mezzanine debt tranches, and finally, equity. In connection with the CLO Strategic Transformation, we revoked our REIT election for tax year 2024, rebranded as Ellington Credit Company, and currently operate as a taxable C-Corp. While operating as a taxable C-Corp, we intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act. During this time, we also may opportunistically acquire other types plan to take advantage of our significant existing net operating loss carryforwards to offset the majority of our U.S. federal taxable income.

Later in 2024, we intend to convert to a closed-end fund to be treated as a regulated investment company, or "RIC," subject to shareholder approval of certain matters. In the interim, we intend to gradually liquidate our portfolio of mortgage-related assets and invest the proceeds in CLOs. Just prior to the conversion, we intend to liquidate the vast majority of our remaining mortgage- and real estate-related asset classes, such assets and upon the effectiveness of the conversion we would intend to operate so as commercial mortgage-backed securities, or "CMBS," residential mortgage to qualify to be taxed as a RIC under subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), for federal income tax purposes.

Our primary objective is to generate attractive current yields and risk-adjusted total returns for our shareholders by making investments that we believe compensate us appropriately for the risks associated with them. Following the CLO Strategic Transformation, we now seek to attain this objective by constructing and actively managing a portfolio of corporate CLOs, primarily mezzanine debt and equity tranches, which are typically collateralized by portfolios consisting primarily of below-investment-grade senior secured loans mortgage servicing rights and credit risk transfer securities. We believe with a large number of discrete underlying borrowers across various industry sectors. Additionally, we may also invest in CLO loan accumulation facilities, which are entities that being able to combine Agency RMBS with non-Agency RMBS acquire corporate loans and other mortgage- and real estate-related asset classes, along with opportunistic investments similar corporate credit-related assets in CLOs, enables us to balance anticipation of ultimately collateralizing a range of risks. CLO transaction.

We were initially formed through a strategic venture among affiliates of Ellington Management Group, L.L.C., an investment management firm and registered investment adviser with a 28-year history of investing in a broad spectrum of residential and commercial mortgage-backed securities, or "MBS," and related derivatives, with an emphasis on the RMBS

market, and the Blackstone Tactical Opportunity Funds, or the "Blackstone Funds." We are externally managed and advised by our Manager, an affiliate of Ellington. From our inception until August 2021, the Blackstone Funds had held special non-voting membership interests Ellington has a longstanding and successful track record of investing in the holding company that owns CLO sector. In connection with the CLO Strategic Transformation, our Board of Trustees unanimously approved Amendment No. 1 to the Fifth Amended and Restated Management Agreement, dated April 1, 2024 (the "Amendment"), with the Manager. In August 2021, an Ellington affiliate purchased these special non-voting membership interests The Amendment removed certain provisions related to our qualification and maintenance of REIT status from the Blackstone Funds. Fifth Amended and Restated Management Agreement, dated as of March 13, 2018.

We currently use leverage in our strategies and to date have financed our assets exclusively through repurchase agreements, which we account for as collateralized borrowings. As of September 30, 2023 March 31, 2024, we had outstanding borrowings under repurchase agreements in the amount of $811.2 million $683.2 million with 19 counterparties; 97% 96% of such borrowings were collateralized by Agency RMBS.

We have elected Just prior to be taxed as conversion to a REIT for U.S. federal income tax purposes. Accordingly, RIC, we generally will not be subject to U.S. federal income taxes on our taxable income that we distribute currently to our shareholders as long as we maintain our qualification as a REIT. We intend to conduct reduce our operations so that neither we nor any of our subsidiaries is required leverage to register as an investment company levels permitted under the Investment Company Act, and expect the vast majority of 1940, as amended, or the "Investment Company Act." our borrowings to be collateralized by CLOs.

As of September 30, 2023 March 31, 2024, our book value per share was $7.02 $7.21 as compared to $8.12 and $8.40 $7.32 as of June 30, 2023 and December 31, 2022, respectively. December 31, 2023.

Trends and Recent Market Developments

Market Overview

- After temporarily pausing in June following ten consecutive interest rate hikes, in July a dovish shift at its final meeting of 2023, the U.S. Federal Reserve, or the "Federal "Federal Reserve," increased the" maintained its target range for the federal funds rate by another 25 basis points to of 5.25%–5.50%, at its highest level since 2001, before pausing again in September. January and March 2024 meetings. At a press conference following the September March meeting, Chair Powell acknowledged stated that despite "if the pause, "we're prepared economy evolves broadly as expected, it will likely be appropriate to raise rates further if begin dialing back policy restraint at some point this year," while also acknowledging that "the Committee does not expect it will be appropriate and we intend to hold policy at a restrictive level reduce the target range until we're confident it has gained greater confidence that inflation is moving sustainably down sustainably toward our objective." During the third quarter, 2 percent." In addition, the Federal Reserve also continued to reinvest only principal payments that exceeded monthly caps of $60 billion on U.S. Treasury securities and $35 billion on Agency RMBS.
- Interest rates increased After falling sharply in the third prior quarter, particularly long-term interest rates which caused reversed course and rose in the inversion first quarter of 2024 as market expectations for the yield curve timing of Federal Reserve rate cuts were pushed to subside somewhat. The later in the year. Overall, the yield on the 2-year Treasury increased by 15 37 basis points quarter over quarter to 5.04% 4.62%, while the yield on the 10-year Treasury increased by 73 32 basis points to 4.57% 4.20%. Toward the end of the quarter, the 2-year yield reached its highest level since July 2006, and the 10-year yield reached its highest level since October 2007. Meanwhile, interest rate volatility as measured by declined during the first quarter, with the MOVE Index remained elevated throughout the third quarter. at quarter end reaching its lowest level in two years.
- Secured Overnight Financing Rates, or "SOFR" rates, declined modestly in the first quarter. One- and three- month SOFR rates also continued to rise in the third quarter. One-month SOFR increased both declined by 18 3 basis points, to 5.32% 5.33% and 5.30%, respectively, at quarter end, and three-month end. SOFR increased by 13 basis points to 5.40%. SOFR drives rates drive many of our financing costs.
- Mortgage rates moved in sympathy with long-term interest rates during the quarter. The Freddie Mac survey 30-year mortgage rate increased from 6.70% on June 29th 6.61% at the start of the year to 7.35% on September 28th, its highest level since December 2000. 6.94% at the end of February, before declining modestly in March and finishing the quarter at 6.79%. The Mortgage Bankers Association's Refinance Index increased by 27% over the course of the quarter, but remained at an historically depressed level, decreasing by 8.7% from June 30th to September 29th, and levels on a historical basis, with current mortgage rates still much higher than the rates on the vast majority of outstanding Agency mortgages. Similarly, overall prepayment

  speeds remained extremely low. low, with Fannie Mae 30-year MBS registered registering CPRs of 5.6 4.4 in July, 6.1 January, 4.7 in August, February, and 5.2 5.4 in September. March.

- After falling by 4.5% over the second half of 2022, rising 5.5% in 2023, the S&P CoreLogic Case-Shiller US National Home Price NSA Index increased by 5.8% year-to-date through August, setting a new all-time high for 0.5% during the index. first two months of 2024. Meanwhile, after decreasing by 28.7% 7% in 2022, 2023, the National Association of Realtors Housing Affordability Index declined an additional 16.1% year-to-date increased by 0.8% through August 2023, as higher mortgage rates and record home prices continued to stress housing affordability. February 2024.
- U.S. real GDP increased at an estimated annualized rate of 4.9% 1.6% in the third first quarter of 2023, up from the 2.1% annualized growth rate recorded 2024, as compared to 3.4% in the prior quarter. Meanwhile, the unemployment rate remained low, registering 3.5% 3.7% in July, January, 3.9% in February, and 3.8% in both August and September. March.
- Inflation declined modestly during In the first half of quarter, the year before increasing again in the third quarter. The 12-month percentage change in the Consumer Price Index for All Urban Consumers ("CPI-U"), not seasonally adjusted, registered 3.1% in January, 3.2% in July February, and 3.7% then increased moderately to 3.5% in both August and September. March. This compared to 12-month percentage changes of 4.9% 3.2% in April, 4.0% October, 3.1% in May, November, and 3.0% 3.4% in June December 2023.
- For the third first quarter, the Bloomberg Barclays U.S. MBS Index posted a negative return of (4.13% (1.04%) and a negative excess return (on a duration-adjusted basis) of (0.88% (0.14%) relative to the Bloomberg Barclays U.S. Treasury Index, driven

  by underperformance of the mortgage basis in September. Index. Meanwhile, the Bloomberg Barclays U.S. Corporate Bond Index posted generated a negative return of (3.19% (0.40%) and an but a positive excess return of 0.81% 0.89%, while the Bloomberg Barclays U.S. Corporate High Yield Bond Index posted generated a positive return of 0.48% 1.47% and an a positive excess return of 1.06%. 1.59%, for the quarter.

- Despite Corporate credit spreads tightened during the first quarter, with spreads on the Markit CDX North America Investment Grade and High Yield Indices declining by 5 and 26 basis points quarter over quarter, respectively. Additionally, according to PitchBook/LCD, default rates on U.S. leveraged loans declined further, with the twelve-month trailing default rate on the Morningstar LSTA Leveraged Loan Index decreasing to 1.14% at quarter end, as compared to 1.53% at December 31, and well below the 10-year historical average of 1.82%. Morningstar LSTA US Leveraged Loan Index prices rose for the sixth straight quarter, increasing to $96.70 at March 31, up from $96.20 at year end.
- U.S. CLO issuance activity ramped up significantly in the first quarter. According to PitchBook/LCD, the U.S. CLO market saw $49 billion of new CLO issuance in the first quarter, which was the second highest quarter of CLO issuance dating back to 2011, and up from $32 billion in the fourth quarter.
- U.S. equity markets generated strong performance in July, U.S. equity markets finished lower for the third first quarter, overall, driven by negative results in September. with many major indices reaching record highs. For the quarter, the NASDAQ declined rose by 4.1% 9.1%, the S&P 500 was down 3.6% up 10.2%, and the Dow Jones Industrial

Average fell increased by 2.6%, while the 5.6%. The VIX volatility index rose in August and again in remained relatively low throughout the second half of September. first quarter. Meanwhile, London's FTSE 100 index increased by 1.0% 2.8% and the MSCI World global equity index fell 3.8% rose by 8.5%, quarter over quarter.

Portfolio Overview and Outlook

As of September 30, 2023 March 31, 2024, our CLO portfolio consisted of $33.8 million of CLO notes, specifically mezzanine debt tranches, and $11.3 million of CLO equity.

During the first quarter, the size of our CLO portfolio increased to $45.1 million as of March 31, 2024, compared to $17.4 million as of December 31, 2023. Going forward, we intend to continue to increase the size of our CLO portfolio substantially in conjunction with the CLO Strategic Transformation.

As of March 31, 2024, our mortgage-backed securities portfolio consisted of $768.0 million $718.0 million of fixed-rate Agency "specified pools," $7.2 million $7.0 million of Agency RMBS backed by adjustable rate mortgages, or "Agency ARMs," $15.3 million ARMs", $14.2 million of Agency reverse mortgage pools, $7.8 million $6.5 million of Agency interest-only securities, or "Agency IOs,"$12.8 million IOs", $9.6 million of non-Agency RMBS, and $11.5 million of non-Agency interest-only securities, or "non-Agency IOs". Specified pools are fixed-rate Agency pools consisting of mortgages with special characteristics, such as mortgages with low loan balances, mortgages backed by investor properties, mortgages originated through government-sponsored refinancing programs, and mortgages with various other characteristics.

The size of our Agency RMBS holdings decreased by 11% increased slightly to $790.5 million $739.3 million as of September 30, 2023 March 31, 2024, compared to $889.0 million $728.0 million as of June 30, 2023. The decline was driven by December 31, 2023, as net purchases exceeded paydowns net sales, and net losses. losses for the quarter. Over the same period, our aggregate holdings of interest-only securities and non-Agency RMBS and interest-only securities increased slightly.

Also, during the final week of the quarter, decreased modestly. Going forward, we added $3.8 million of corporate CLO investments. CLOs are a form of asset-backed security collateralized by syndicated corporate loans. We intend to increase continue to decrease the size of our capital allocation to mortgage-backed securities portfolio, also in conjunction with the CLO mezzanine debt and CLO equity investments, based on market opportunities. Strategic Transformation.

Our debt-to-equity ratio, adjusted for unsettled purchases and sales, decreased to 7.3: 4.9:1 as of September 30, 2023 March 31, 2024, as compared to 7.6: 5.3:1 as of June 30, 2023. The decline was primarily due to a decrease in borrowings December 31, 2023, driven by higher shareholders' equity and less leverage on our smaller CLO investments, which now constitute a larger proportion of our overall portfolio, compared to Agency RMBS portfolio, partially offset by lower shareholders' equity. RMBS. Our debt-to-equity ratio may fluctuate period over period based on portfolio management decisions, market conditions, capital markets activities, and the timing of security purchase and sale transactions. As of September 30, 2023 March 31, 2024, the majority 96% of our borrowings were secured by specified pools. Agency RMBS.

As of September 30, 2023, we had cash and cash equivalents of $40.0 million, in addition to other unencumbered assets of $2.7 million. This compares to cash and cash equivalents of $43.7 million and other unencumbered assets of $7.2 million as of June 30, 2023.

In the third quarter, Agency RMBS faced the significant headwinds of elevated market volatility and rising long-term interest rates. Yield spreads widened and Agency RMBS significantly underperformed U.S. Treasury securities and interest rate swaps for the quarter, with lower-coupon RMBS exhibiting the most pronounced underperformance.

Net losses on our Agency RMBS and negative net interest income exceeded net gains on our interest rate hedges, while our delta-hedging costs remained high as a result of the elevated interest rate volatility. As a result, we had a net loss overall for the quarter.

Average pay-ups on our specified pool portfolio increased modestly to 1.02% as of September 30, 2023, as compared to 0.98% as of June 30, 2023. During the quarter, we continued to hedge interest rate risk through the use of interest rate swaps and short positions in TBAs, U.S. Treasury securities, and futures. We again ended the quarter with a small net short TBA position. We also selectively hedge our corporate CLO and non-Agency RMBS investments; as of March 31, 2024, we had a small credit hedge position in place.

As of March 31, 2024, we had cash and cash equivalents of $22.4 million, in addition to other unencumbered assets of $57.1 million. This compares to cash and cash equivalents of $38.5 million and other unencumbered assets of $22.9 million as of December 31, 2023.

CLO Performance

Following strong performance in the final months of 2023, corporate credit spreads tightened further in the first quarter, driven by continued capital inflows to the sector, strengthening fundamentals, and declining interest rate volatility. Net demand for leveraged loans remained strong as a result of significant new-issue CLO volumes and rapid repayments of existing leveraged loans, as borrowers continued to lower their financing costs through refinancings. Our CLO strategy had excellent performance for the quarter, led by strong interest income as well as net realized and unrealized gains on our seasoned CLO mezzanine investments, mostly owned at discounts to par, driven in part by elevated loan prepayments.

Non-Agency Performance

Our non-Agency RMBS portfolio and interest-only securities also generated positive strong results for the quarter, driven by net interest income and mark-to-market gains attributable to spread tightening.

Agency Performance

Despite lower interest rate volatility during the quarter, performance of Agency MBS lagged the broader rally in credit as market consensus for the timing of the first Federal Reserve rate cut was pushed back. This drove interest rates higher across the yield curve and pressured yield spreads on Agency MBS, particularly in February and particularly for lower-coupon MBS, where much of our portfolio is concentrated. While Agency MBS yield spreads did recover meaningfully in March, driven by lower volatility and capital inflows, overall for the quarter Agency MBS generated a modestly negative excess return to Treasuries. Despite the negative excess return, our Agency portfolio was profitable for the quarter, as net gains. We intend gains on our interest-rate hedges exceeded net losses on our pools and negative net interest income.

Average pay-ups on our specified pool portfolio decreased to increase our allocation 0.85% as of March 31, 2024, as compared to non-Agency RMBS and/or corporate CLOs based on market conditions.

1.01% as of December 31, 2023.

Our net mortgage assets-to-equity ratio—which we define as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity—increased slightly equity —declined during the quarter, as quarter. The decrease was driven by an increase in shareholders' equity and a smaller net short TBA position and as of March 31, 2024 as compared to a decline in shareholders' equity more than net long TBA position as of December 31, 2023, partially offset by a smaller larger Agency RMBS portfolio. From time to time, in response to market opportunities and other factors, we increase or decrease our net mortgage assets-to-equity ratio by varying the sizes of our net short TBA position and/or our long RMBS portfolio. portfolio in relation to the portion of our overall shareholders' equity employed in our mortgage-related strategies. The following table summarizes our net mortgage assets-to-equity ratio and provides additional details, for the last five quarters, to illustrate this fluctuation.

		Notional Amount of Long TBAs	Notional Amount of Short TBAs	Fair Value of Mortgage-backed Securities	Net Short TBA Underlying Market Value(1)	Net Mortgage Assets-to-Equity Ratio			
		Notional Amount of Long TBAs							
($ In thousands)	*($ In thousands)*								
March 31, 2024									
March 31, 2024									
March 31, 2024								$ 66,220	
December 31, 2023(2)							December 31, 2023(2)	107,422	
September 30, 2023	September 30, 2023	$ 68,064	$ (116,747)	$ 822,718	$ (36,149)	7.1:1	September 30, 2023	68,064	(1
June 30, 2023	June 30, 2023	117,009	(243,532)	920,714	(102,485)	7.0:1	June 30, 2023	117,009	(2
March 31, 2023	March 31, 2023	66,488	(221,497)	925,531	(131,188)	6.9:1	March 31, 2023	66,488	(2
December 31, 2022		81,759	(258,253)	893,301	(149,982)	6.6:1			
September 30, 2022		20,679	(203,248)	934,668	(161,287)	7.5:1			

(1) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of period end.

We(2) Conformed to current period presentation.

While operating as a taxable C-Corp, we expect to continue to target hold a portfolio of specified pools that, taking into account their particular composition and based on our prepayment projections, should: (1) generate attractive yields relative to other Agency RMBS and U.S. Treasury securities, (2) have less prepayment sensitivity to government policy shocks, and/or (3) create opportunities for trading gains once the market recognizes their value, which for newer pools may come only after several months, when actual prepayment experience can be observed. We believe that our research team, proprietary prepayment models, and extensive databases remain essential tools in our implementation of this strategy.

The following table summarizes prepayment rates for our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) for the three-month periods ended March 31, 2024, December 31, 2023, September 30, 2023, June 30, 2023, and March 31, 2023, December 31, 2022, September 30, 2022.

	Three-Month Period Ended				
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Three-Month Constant Prepayment Rates(1)	7.3	7.4	4.3	6.1	9.8

	Three-Month Period Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Three-Month Constant Prepayment Rates(1)	5.2	6.8	7.3	7.4	4.3

(1) Excludes recent purchases of fixed rate Agency specified pools with no prepayment history.

The following table provides details about the composition of our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) as of September 30, 2023 March 31, 2024 and June 30, 2023 December 31, 2023.

	Coupon (%)	September 30, 2023 Current Principal		Fair Value		Weighted Average Loan Age (Months)	June 30, 2023 Current Principal		Fair Value		Weighted Average Loan Age (Months)
		(In thousands)					(In thousands)				
Fixed-rate Agency RMBS:											
15-year fixed-rate mortgages:											
	2.50–2.99	$	8,226	$	7,352	37	$	4,681	$	4,325	45
	3.00–3.49		5,119		4,792	101		5,476		5,194	98
	3.50–3.99		10,667		10,018	90		11,301		10,868	87
	4.00–4.49		10,893		10,370	57		11,371		11,052	54
	4.50–4.99		70		68	164		91		90	161
Total 15-year fixed-rate mortgages			34,975		32,600	69		32,920		31,529	72
20-year fixed-rate mortgages:											
	2.00–2.49		4,113		3,333	39		4,447		3,776	36
	2.50–2.99		1,723		1,442	38		1,770		1,558	35
	3.00–3.49		1,161		1,001	43		1,175		1,073	40
	4.00–4.49		1,342		1,236	38		1,417		1,367	35
	4.50–4.99		518		491	60		527		519	57
	5.00–5.49		587		566	61		701		699	58
	6.50–6.99		997		1,005	3		1,003		1,029	—
Total 20-year fixed-rate mortgages			10,441		9,074	38		11,040		10,021	35
30-year fixed-rate mortgages:											
	2.00–2.49		4,674		3,446	35		51,132		41,888	29
	2.50–2.99		30,018		24,026	34		53,891		45,916	32
	3.00–3.49		135,227		112,876	47		175,741		155,938	38
	3.50–3.99		120,939		106,722	82		124,410		115,720	79
	4.00–4.49		145,903		132,323	71		150,098		143,129	68
	4.50–4.99		120,372		112,120	50		111,289		108,454	52
	5.00–5.49		127,347		120,897	24		98,784		97,376	26
	5.50–5.99		70,197		68,074	11		69,693		69,603	8
	6.00–6.49		20,238		20,040	11		20,941		21,207	8
	6.50–6.99		25,585		25,821	7		24,540		25,139	4
Total 30-year fixed-rate mortgages			800,500		726,345	47		880,519		824,370	44
Total fixed-rate Agency RMBS		$	845,916	$	768,019	48	$	924,479	$	865,920	45

	Coupon (%)	March 31, 2024 Current Principal	Fair Value	Weighted Average Loan Age (Months)	December 31, 2023 Current Principal	Fair Value	Weighted Average Loan Age (Months)
		(In thousands)			(In thousands)		
Fixed-rate Agency RMBS:							
15-year fixed-rate mortgages:							
	2.50–2.99	1,932	1,813	58	3,794	3,550	52
	3.00–3.49	4,550	4,356	106	4,829	4,645	103
	3.50–3.99	9,387	9,046	95	9,960	9,684	92
	4.00–4.49	9,506	9,307	62	10,013	9,918	60
	4.50–4.99	34	33	166	51	50	167
	6.00–6.49	2,764	2,818	3	—	—	—

Total 15-year fixed-rate mortgages		28,173	27,373	74	28,647	27,847	78
20-year fixed-rate mortgages:							
	2.00–2.49	—	—	—	4,063	3,502	42
	3.00–3.49	1,132	1,016	49	1,147	1,045	46
	4.00–4.49	1,241	1,192	44	1,255	1,225	41
	4.50–4.99	461	451	66	491	489	63
	5.00–5.49	568	567	67	577	583	64
	6.50–6.99	985	1,008	9	991	1,019	6
Total 20-year fixed-rate mortgages		4,387	4,234	43	8,524	7,863	41
30-year fixed-rate mortgages:							
	2.00–2.49	4,211	3,249	41	4,614	3,687	38
	2.50–2.99	19,035	15,963	41	37,503	32,160	36
	3.00–3.49	69,274	60,220	63	76,869	68,695	59
	3.50–3.99	89,852	82,119	74	111,327	104,283	73
	4.00–4.49	113,288	106,642	67	134,317	129,181	72
	4.50–4.99	145,311	139,640	38	124,152	122,062	51
	5.00–5.49	126,239	123,676	22	106,323	105,851	28
	5.50–5.99	70,049	69,965	12	39,423	39,801	19
	6.00–6.49	23,447	23,839	16	18,084	18,478	14
	6.50–6.99	59,601	61,093	8	44,898	46,096	7
Total 30-year fixed-rate mortgages		720,307	686,406	41	697,510	670,294	49
Total fixed-rate Agency RMBS		$ 752,867	$ 718,013	42	$ 734,681	$ 706,004	50

For the three-month period ended September 30, 2023 March 31, 2024, we had total net realized and unrealized losses on our Agency securities of $(35.4) $(10.8) million, or $(2.33) $(0.55) per share. Our Agency portfolio turnover was approximately 19% for the three-month period ended September 30, 2023, March 31, 2024 and we recognized net realized losses of $(19.3) $(10.7) million.

For the three-month period ended September 30, 2023 March 31, 2024, we continued to hedge interest rate risk through the use of interest rate swaps and short positions in TBAs, U.S. Treasury securities, and futures. We had total net realized and unrealized gains of $28.2 million $15.9 million, or $1.86 $0.81 per share, on our interest rate hedging portfolio, as driven by the increase in interest rates increased significantly during the quarter over quarter. These gains were partially offset by exclude net realized and unrealized losses of ($2.2) $(1.3) million, or ($0.14) $(0.07) per share, on our long TBAs held for investment.

We ended the quarter with a small net short TBA position both on a notional basis and as well as a small net short TBA position as measured by 10-year equivalents. Ten-year equivalents for a group of positions represent the amount of 10-year U.S. Treasury securities that would be expected to experience a similar change in market value under a standard parallel move in interest rates. The relative makeup of our interest rate hedging portfolio can change materially from period to period. We may also selectively hedge our corporate CLO investments, although and non-Agency RMBS investments; as of March 31, 2024, we had no such hedges a small credit hedge position in place at quarter end. place. We may also enter into foreign currency forward and futures contracts in order to hedge risks associated with foreign currency fluctuations.

After giving effect to dividends declared during the three-month period ended September 30, 2023 March 31, 2024 of $0.24 per share, our book value per share decreased to $7.02 $7.21 as of September 30, 2023 March 31, 2024, from $8.12 $7.32 as of June 30, 2023 December 31, 2023, and we had a negative positive economic return of (10.6%) 1.8% for the three-month period ended September 30, 2023 March 31, 2024. Economic return for a period is computed by adding back dividends declared during the period to ending book value per share, and comparing that amount to book value per share as of the beginning of the period.

We believe that our adaptive and active style of portfolio management is well suited to the current MBS market environment, which, especially given the current effects and future uncertainties related to quantitative tightening, shifting central bank and government policies, regulatory changes, and disruptive technological developments, exhibits high levels of interest rate risk, prepayment risk (including extension risk), financing and liquidity risk.

Financing

For each of the three-month period periods ended September 30, 2023 March 31, 2024 and December 31, 2023, our average repo borrowing cost increased to 5.48%, as compared to 5.22% for the three-month period ended June 30, 2023. This increase in average repo borrowing cost was the result of increases in short-term interest rates during the three-month period ended September 30, 2023 5.60%. As of September 30, 2023 March 31, 2024 and June 30, 2023 December 31, 2023, the weighted average borrowing rate on our repurchase agreements was 5.50% 5.47% and 5.29% 5.58%, respectively.

While large banks still dominate the repo market, non-bank firms, not subject to the same regulations as banks, are active in providing repo financing. Most of our outstanding repo financing is still provided by banks and bank affiliates; however, we have also entered into repo agreements with non-bank dealers.

Our debt-to-equity ratio was 7.3: 4.8:1 as of September 30, 2023 March 31, 2024, as compared to 7.5: 5.4:1 as of June 30, 2023 December 31, 2023. Adjusted for unsettled purchases and sales, our debt-to equity ratio was 7.3: 4.9:1 as of September 30, 2023 March 31, 2024, as compared to 7.6: 5.3:1 as of June 30, 2023 December 31, 2023. The decline was driven by higher shareholders' equity and less leverage on our CLO investments, which now constitute a larger proportion of our overall portfolio, compared to Agency

RMBS. Our debt-to-equity ratio may fluctuate period over period based on portfolio management decisions, market conditions, capital markets activities, and the timing of security purchase and sale transactions.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," and Regulation S-X. Entities in which we have a controlling financial interest, through ownership of the majority of the entities' voting equity interests, or through other contractual rights that give us control, are consolidated by us. All inter-company balances and transactions have been eliminated.

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our critical accounting estimates are those which require assumptions to be made about matters that are highly uncertain. Actual results could differ from those estimates and such differences could have a material impact on our financial condition and/or results of operations. We believe that all of the decisions and assessments upon which our consolidated financial statements are based were reasonable at the time made based upon information available to us at that time. We rely on the experience of our Manager and Ellington and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates. See Note 2 of the notes to our consolidated financial statements for a complete discussion of our significant accounting policies. We have identified our most critical accounting estimates to be the following:

Valuation: We have elected the fair value option for the vast majority of our assets and liabilities for which such election is permitted, as provided for under ASC 825, *Financial Instruments* ("ASC 825"). Electing the fair value option allows us to record changes in fair value in our Consolidated Statement of Operations, which, in our view, more appropriately reflects the results of our operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, the mortgage-backed securities are recorded at fair value on our Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on our Consolidated Statement of Operations as a component of Change in net unrealized gains (losses) on securities. Purchase and sales transactions are generally recorded on trade date. Realized and unrealized gains and losses are calculated based on identified cost.

For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of our financial instruments are not traded in an active market. Therefore, management generally uses third-party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology.

Summary descriptions, for the various categories of financial instruments, of the valuation methodologies management uses in determining fair value of our financial instruments are detailed in Note 2 of the notes to our consolidated financial statements. Management utilizes such methodologies to assign a good faith fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument. See the notes to our consolidated financial statements for more information on valuation techniques used by management in the valuation of our assets and liabilities.

Because of the inherent uncertainty of valuation, the estimated fair value of our financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to our consolidated financial statements.

The determination of estimated fair value of those of our financial instruments that are not traded in an active market requires the use of both macroeconomic and microeconomic assumptions and/or inputs, which are generally based on current market and economic conditions. Changes in market and/or economic conditions could have a significant adverse effect on the estimated fair value of our financial instruments. Changes to assumptions, including assumed market yields, may significantly impact the estimated fair value of our investments. Our valuations are sensitive to changes in interest rates; see the interest rate sensitivity analysis included in Item 3. Quantitative and Qualitative Disclosures about Market Risk in this Quarterly Report on Form 10-Q for further information.

Interest Income: Coupon interest income on investment securities is accrued based on the outstanding principal balance and the current coupon rate on each security. We generally amortize premiums and accrete discounts on our fixed-income investments using the effective interest method. For certain of our securities, for purposes of estimating future expected cash flows, management uses assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macroeconomic assumptions, such as future housing prices, GDP growth rates, and unemployment rates). These assumptions require the use of a significant amount of judgment. Any resulting changes in effective yield are recognized prospectively based on the current amortized cost of the investment as adjusted for credit impairment, if any.

The effective yield on our debt securities that are deemed to be of high credit quality (including Agency RMBS, exclusive of interest only securities) can be significantly impacted by our estimate of future prepayments. Future prepayment rates are difficult to predict. We estimate prepayment rates over the remaining life of our securities using models that generally incorporate the forward yield curve, current mortgage rates, mortgage rates on the outstanding loans, age and size of the outstanding loans, and other factors. We compare estimated prepayments to actual prepayments on a quarterly basis, and effective yields are recalculated retroactive to the time of purchase. When differences arise between our previously calculated effective yields and our current calculated effective yields, a catch-up adjustment, or "Catch-up Amortization Adjustment," is made to interest income to reflect the cumulative impact of the changes in effective yields. For the three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, we recognized a Catch-up Amortization Adjustment of $46 thousand and $1.4 million, respectively. For the nine-month periods ended September 30, 2023 and 2022, we recognized a Catch-up Amortization Adjustment of $(0.6) $(0.9) million and $2.5 million, $(0.3) million, respectively. The Catch-up Amortization Adjustment is reflected as an increase (decrease) to interest income on the Consolidated Statement of Operations.

Our accretion of discounts and amortization of premiums on securities for U.S. federal and other tax purposes is likely to differ from the accounting treatment under U.S. GAAP of these items as described above.

See the Note 2 of the notes to our consolidated financial statements for more information on the assumptions and methods that we use to amortize purchase premiums and accrete purchase discounts.

Income Taxes: We made an revoked our REIT election to be taxed for tax year 2024 and currently operate as a REIT for taxable C-Corp. We are subject to U.S. federal, state, and local income tax purposes and are generally not subject to corporate-level federal and state income tax on net income we distribute to our shareholders within the prescribed time frames. tax. We may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any such positions, we might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements.

Also, management's conclusions regarding the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. See Note 2 to our consolidated financial statements for additional details on income taxes.

Recent Accounting Pronouncements

Refer to the notes to our consolidated financial statements for a description of relevant recent accounting pronouncements.

Financial Condition

Investment portfolio

The following tables summarize our securities portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		September 30, 2023					December 31, 2022											
		March 31, 2024											March 31, 2024					
($ In thousands)	($ In thousands)	Current Principal	Fair Value	Average Price(1)	Cost	Average Cost(1)	Current Principal	Fair Value	Average Price(1)	Cost	Average Cost(1)	($ In thousands)	Current Principal	Fair Value	Average Price(1)	Cost	Average Cost(1)	Current Principal
Credit Portfolio:																		
CLOs																		
CLOs																		
CLOs																		
CLO Notes																		
CLO Notes																		
CLO Notes																		
CLO Equity												CLO Equity	n/a	11,327	n/a	11,602	n/a	
Total CLO																		
Non-Agency RMBS(2)																		
Non-Agency RMBS(2)																		
Non-Agency RMBS(2)																		
Non-Agency IOs												Non-Agency IOs	n/a	11,545	n/a	8,432	n/a	
Total Credit																		
Agency Portfolio:																		
Agency Portfolio:																		
Agency Portfolio:																		
Agency RMBS(2)	Agency RMBS(2)																	
Agency RMBS(2)																		
Agency RMBS(2)																		
15-year fixed-rate mortgages																		
15-year fixed-rate mortgages																		
15-year fixed-rate mortgages	15-year fixed-rate mortgages	$34,975	$ 32,600	93.21	$ 34,800	99.50	$47,453	$ 45,324	95.51	$ 48,899	103.05							
20-year fixed-rate mortgages	20-year fixed-rate mortgages	10,441	9,074	86.91	11,083	106.15	10,812	9,691	89.63	11,508	106.44							
30-year fixed-rate mortgages	30-year fixed-rate mortgages	800,500	726,345	90.74	786,592	98.26	841,823	781,754	92.86	849,168	100.87							
ARMs	ARMs	7,207	7,154	99.26	7,983	110.77	8,696	8,663	99.62	9,595	110.34							
Reverse mortgages	Reverse mortgages	15,023	15,335	102.08	17,049	113.49	17,506	17,852	101.98	19,659	112.30							

Total Agency RMBS	Total Agency RMBS	868,146	790,508	91.06	857,507	98.77	926,290	863,284	93.20	938,829	101.35
Non-Agency RMBS(2)		14,752	12,825	86.94	12,316	83.49	16,895	12,566	74.38	12,414	73.48
Total RMBS(2)		882,898	803,333	90.99	869,823	98.52	943,185	875,850	92.86	951,243	100.85
Agency IOs	Agency IOs	n/a	7,845	n/a	6,967	n/a	n/a	9,313	n/a	9,212	n/a
Non-Agency IOs		n/a	11,540	n/a	8,884	n/a	n/a	8,138	n/a	6,289	n/a
Total mortgage-backed securities			$822,718		$885,674			$893,301		$966,744	
CLO		4,500	3,824	84.98	3,823	84.96	n/a	—	n/a	—	n/a
Preferred equity securities		n/a	234	n/a	203	n/a	n/a	208	n/a	202	n/a
U.S. Treasury securities		10,470	9,499	90.73	9,934	94.88	—	—	—	—	—
U.S. Treasury securities sold short		(47,229)	(46,326)	98.09	(46,593)	98.65	(500)	(498)	99.60	(499)	99.80
Reverse repurchase agreements		37,103	37,103	100.00	37,103	100.00	499	499	100.00	499	100.00
Total Agency											
Total	Total		$827,052		$890,144			$893,510		$966,946	
Total											
Total											

Agency IOs	n/a	6,501	n/a	n/a	5,454	n/a	n/a

(1) Expressed as a percentage of the current principal balance.

(2) Excludes IOs.

As of March 31, 2024, 75% of our invested capital was allocated to mortgage-related securities and 25% was allocated to corporate CLOs. The majority of our capital is allocated to our mortgage-related securities are Agency RMBS, strategy, which includes include investments in Agency pools and Agency collateralized mortgage obligations, or "CMOs." As of September 30, 2023 and December 31, 2022, other investment types constituted a relatively small portion of our total investments, although we intend to increase our allocation to non-Agency RMBS and/or CLOs, based on market opportunities.

Our most prevalent method of financing RMBS and CLOs is through short-term repos, which generally have maturities of 364 days or less. The weighted average lives of the RMBS and CLOs that we own are generally much longer. Consequently, the weighted average term of our repurchase agreement financings will almost always be substantially shorter than the expected average maturity of our RMBS. RMBS and CLOs. This mismatch in maturities, together with the uncertainty of RMBS prepayments on the underlying mortgage or corporate loans, and other potential changes in the timing and/or amount of cash flows, on our RMBS assets, creates the risk that changes in interest rates will cause our financing costs with respect to our RMBS and CLOs to increase relative to the income on our RMBS these assets over the term of our investments. In addition, changes in the fair value of our RMBS and CLO investments, whether as a result of changes in market conditions, prepayments, or other factors, may trigger changes in margin requirements, in which counterparties to our repurchase agreements may require us post additional collateral to re-establish the agreed-upon collateralization requirements.

Financial Derivatives

The following table summarizes our portfolio of financial derivative holdings as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(In thousands)	*(In thousands)*	**September 30, 2023**	**December 31, 2022**	*(In thousands)*	**March 31, 2024**	**December 31, 2023**
Financial derivatives–assets, at fair value:	**Financial derivatives–assets, at fair value:**					
TBA securities purchase contracts						
TBA securities purchase contracts						
TBA securities purchase contracts						
TBA securities sale contracts	TBA securities sale contracts	$ 2,737	$ 3,568			

Fixed payer interest rate swaps	Fixed payer interest rate swaps	98,198	65,202
Fixed receiver interest rate swaps			
Futures			
Futures			
Futures	Futures	13	—
Total financial derivatives– assets, at fair value	**Total financial derivatives– assets, at fair value**	100,948	68,770
Financial derivatives– liabilities, at fair value:	**Financial derivatives– liabilities, at fair value:**		
TBA securities purchase contracts	TBA securities purchase contracts	(1,147)	(664)
TBA securities purchase contracts			
TBA securities purchase contracts			
TBA securities sale contracts			
Fixed payer interest rate swaps	Fixed payer interest rate swaps	(89)	—
Fixed receiver interest rate swaps	Fixed receiver interest rate swaps	(6,161)	(2,373)
Futures	Futures	(1,163)	(82)
Credit Default Swaps		(280)	—
Futures			
Futures			
Credit default swaps			
Total financial derivatives– liabilities, at fair value	**Total financial derivatives– liabilities, at fair value**	(8,840)	(3,119)
Total	**Total**	$ 92,108	$ 65,651

Pursuant to our hedging program, we engage in a variety of interest rate hedging activities that are designed to reduce the interest rate risk with respect to the liabilities incurred to acquire or hold RMBS. These interest rate hedges generally seek to reduce the interest rate sensitivity of our liabilities or, in other words, reduce the volatility of our financing cost over time attributable to interest rate changes. Our interest rate hedging transactions may include:

- Interest rate swaps (a contract exchanging a variable rate for a fixed rate, or vice versa);
- Interest rate swaptions (options to enter into interest rate swaps at a future date);
- TBA forward contracts on Agency pass-through certificates;
- Short sales of U.S. Treasury securities;
- Eurodollar and U.S. Treasury futures; and
- Other derivatives.

We generally enter into these transactions to offset the potential adverse effects of rising interest rates on short-term repurchase agreements. Our repurchase agreements generally have maturities of up to 364 days and carry interest rates that are determined by reference to a benchmark rate such as SOFR for those same periods. As each then-existing fixed-rate repo borrowing matures, it will generally be replaced with a new fixed-rate repo borrowing based on market interest rates established at that future date.

In the case of interest rate swaps, most of our contracts are structured such that we receive payments based on a variable interest rate and make payments based on a fixed interest rate. The variable interest rate on which payments are received is generally calculated based on various reset mechanisms for a benchmark rate such as SOFR. To the extent that the benchmark rates used to calculate the payments we receive on our interest rate swaps continue to be highly correlated with our repo borrowing costs, our interest rate swap contracts should help to reduce the variability of our overall repo borrowing costs, thus reducing risk to the extent we hold fixed-rate assets that are financed with repo borrowings.

In the case of TBAs, many of our positions are short TBA positions with negative duration, meaning that should interest rates rise, the value of the short position would be expected to increase. This expected increase in value would then serve to offset corollary expected increases in our current and/or future borrowing costs under our repurchase agreements, and so in this manner our short TBA positions serve as a hedge against potential increases in interest rates. While we use TBAs to hedge interest rate risk and certain other risks, we also hold net long positions in certain TBA securities as a means of acquiring exposure to Agency RMBS.

CLOs, on the other hand, generally have less interest rate risk than fixed-rate RMBS, because they are primarily backed by floating-rate loans. As a result, we currently have limited interest rate hedges in place with respect to our CLO portfolio.

Credit Risk Hedging

We also selectively enter into credit-hedging positions in order to protect against adverse credit events with respect to our CLO and/or non-Agency RMBS investments. Our credit hedging portfolio can vary significantly from period to period, and can encompass a wide variety of financial instruments, including corporate debt or equity-related instruments, RMBS- or CMBS-related instruments, or instruments involving other markets. Our hedging instruments can include both "single-name" instruments (i.e., instruments referencing one underlying entity or security) and hedging instruments referencing indices. Currently, our credit hedges consist of CDS on corporate bond indices, although there are periods of time where we have no credit hedges in place.

The composition and relative mix of our hedging instruments may vary from period to period given the amount of our liabilities outstanding or anticipated to be entered into, the overall market environment and our view as to which instruments best enable us to execute our hedging goals.

Foreign Currency Hedging

To the extent that we hold instruments denominated in currencies other than U.S. dollars, we may enter into transactions to offset the potential adverse effects of changes in currency exchange rates. In particular, we may use currency forward contracts and other currency-related derivatives to mitigate this risk.

Leverage

The following table summarizes our outstanding liabilities under repurchase agreements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. We had no other borrowings outstanding.

	March 31, 2024						March 31, 2024
		Weighted Average					Weighted Ave
Remaining Days to Maturity			Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding
	(In thousands)						
30 days or less							
30 days or less							
30 days or less				$ 653,786	5.45 %	12	$713,678
31-60 days			31-60 days	3,285	6.40	49	6,131
61-90 days			61-90 days	15,686	5.87	71	9,734
	September 30, 2023		December 31, 2022				
		Weighted Average	Weighted Average				

Remaining Days to Maturity		Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity						
181-364 days													
		(In thousands)											
30 days or less		$ 479,224	5.47 %	17	$ 563,926	4.01 %	14						
31-60 days		254,888	5.50	45	210,569	2.73	44						
61-90 days		25,307	6.00	73	67,960	4.16	72						
91-120 days		47,782	5.44	93	—	—	—						
151-180 days		3,979	6.23	158	—	—	—						
181-364 days													
181-364 days													
Total	Total	$ 811,180	5.50 %	33	$ 842,455	3.70 %	26	Total	$ 683,171	5.47	5.47 %	17	$ 729,543 5.58

We finance our assets with what we believe to be a prudent amount of leverage, which will vary from time to time based upon the particular characteristics of our portfolio, availability of financing, and market conditions. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our total debt-to-equity ratio was 7.3: 4.8:1 and 7.5: 5.4:1, respectively. Collateral transferred with respect to our outstanding repo borrowings, including net cash collateral posted or (received), had an aggregate fair value $0.9 billion of $0.7 billion and $0.8 billion, as of both September 30, 2023 March 31, 2024 and December 31, 2022. December 31, 2023, respectively. Our debt-to-equity ratio may fluctuate period over period based on portfolio management decisions, market conditions, capital markets conditions, and the timing of security purchase and sale transactions.

Shareholders' Equity

As of September 30, 2023 March 31, 2024, our shareholders' equity decreased increased to $111.5 million $142.9 million from $112.4 million $136.2 million as of December 31, 2022 December 31, 2023. This decrease increase principally consisted of a net loss of $(7.9) million and dividends declared of $10.4 million, partially offset by net proceeds from the issuance of common shares of $17.1 million $7.4 million and a net gain of $4.0 million, partially offset by dividends declared of $4.8 million. As of September 30, 2023 March 31, 2024, our book value per share was $7.02, $7.21, as compared to $8.40 $7.32 as of December 31, 2022 December 31, 2023.

Results of Operations for the Three- and Nine-Month Three-Month Periods Ended September 30, 2023 March 31, 2024 and 2022 2023

The following table summarizes our results of operations for the three- and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three-Month Period Ended		Nine-Month Period Ended	
		Three-Month Period Ended			
(In thousands except for per share amounts)					
(In thousands except for per share amounts)					
(In thousands except for per share amounts)	*(In thousands except for per share amounts)*	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Interest Income (Expense)	**Interest Income (Expense)**				
Interest Income (Expense)					
Interest Income (Expense)					
Interest income					
Interest income					
Interest income	Interest income	$ 11,253	$ 9,457	$ 30,661	$ 25,079
Interest expense	Interest expense	(12,349)	(4,268)	(33,745)	(7,343)
Interest expense					
Interest expense					
Net interest income (expense)					
Net interest income (expense)					
Net interest income (expense)	**Net interest income (expense)**	(1,096)	5,189	(3,084)	17,736
Expenses	**Expenses**				
Expenses					
Expenses					
Management fees to affiliate					
Management fees to affiliate					
Management fees to affiliate	Management fees to affiliate	420	388	1,292	1,335

Other operating expenses	Other operating expenses	936	842	2,869	2,522
Other operating expenses					
Other operating expenses					
Total expenses					
Total expenses					
Total expenses	**Total expenses**	1,356	1,230	4,161	3,857
Other Income (Loss)	**Other Income (Loss)**				
Other Income (Loss)					
Other Income (Loss)					
Net realized and change in net unrealized gains (losses) on securities					
Net realized and change in net unrealized gains (losses) on securities					
Net realized and change in net unrealized gains (losses) on securities	Net realized and change in net unrealized gains (losses) on securities	(35,396)	(55,810)	(35,934)	(164,094)
Net realized and change in net unrealized gains (losses) on financial derivatives	Net realized and change in net unrealized gains (losses) on financial derivatives	26,428	38,180	35,299	108,337
Net realized and change in net unrealized gains (losses) on financial derivatives					
Net realized and change in net unrealized gains (losses) on financial derivatives					
Total Other Income (Loss)	**Total Other Income (Loss)**	(8,968)	(17,630)	(635)	(55,757)
Total Other Income (Loss)					
Total Other Income (Loss)					
Net Income (Loss) before income taxes					
Net Income (Loss) before income taxes					
Net Income (Loss) before income taxes					
Income tax expense (benefit)					
Income tax expense (benefit)					
Income tax expense (benefit)					
Net Income (Loss)					
Net Income (Loss)					
Net Income (Loss)	**Net Income (Loss)**	$ (11,420)	$ (13,671)	$ (7,880)	$ (41,878)
Net Income (Loss) Per Common Share	**Net Income (Loss) Per Common Share**	$ (0.75)	$ (1.04)	$ (0.55)	$ (3.19)
Net Income (Loss) Per Common Share					
Net Income (Loss) Per Common Share					

Net Income (Loss)

Net income (loss) for the three-month period ended March 31, 2024 was $4.0 million, as compared to $2.3 million for the three-month period ended March 31, 2023. The period-over-period change in our results of operations was primarily due to an increase in total other income and positive net interest income in the current period, as compared to negative net interest income in the prior period. The increase in Net income (loss) for the three-month period ended March 31, 2024 was partially offset by an increase in total expenses.

Interest Income

Our portfolio as of both March 31, 2024 and 2023 consisted of Agency RMBS and non-Agency RMBS, and, as of March 31, 2024, CLO investments. Before interest expense, we earned approximately $9.2 million and $8.8 million in interest income on these securities for the three-month periods ended March 31, 2024 and 2023, respectively. The period-over-period increase in interest income was driven by higher asset yields in both our Agency and credit portfolios, along with higher average holdings in our credit portfolio resulting from the growth in our CLO strategy. The increase in interest income was partially offset by lower average holdings in our Agency RMBS portfolio.

The Catch-up Amortization Adjustment causes variability in our interest income and portfolio yields. For the three-month periods ended March 31, 2024 and 2023, we had a negative Catch-up Amortization Adjustments of approximately $(0.9) million and $(0.3) million, respectively, which decreased interest income. Excluding the Catch-up Amortization Adjustments, the weighted average yield of our overall portfolio was 5.20% and 3.66% for the three-month periods ended March 31, 2024 and 2023, respectively.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the three-month periods ended March 31, 2024 and 2023:

	Agency(1)			Credit(1)			Total(1)		
(In thousands)	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield
Three-month period ended March 31, 2024	$ 7,403	$ 732,617	4.04 %	$ 1,808	$ 44,071	16.41 %	$ 9,211	$ 776,688	4.74 %
Three-month period ended March 31, 2023	$ 8,190	$ 970,943	3.37 %	$ 577	$ 20,675	11.16 %	$ 8,767	$ 991,618	3.54 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin), long U.S. Treasury securities, and reverse repurchase agreements.

Interest Expense

For the three-month periods ended March 31, 2024 and 2023, the majority of interest expense that we incurred was related to our repo borrowings, which we use to finance our assets. We also incur interest expense in connection with our short positions in U.S. Treasury securities as well as on our counterparties' cash collateral held by us. Our total interest expense for the three-month periods ended March 31, 2024 and 2023 was $10.1 million and $9.7 million, respectively, which primarily consisted of interest expense on our repo borrowings. The period-over-period increase in our total interest expense resulted mainly from higher financing costs stemming from the rise in short-term interest rates.

The following table provides details of our borrowings under repurchase agreements for the three-months period ended March 31, 2024 and 2023:

	Three-Month Period Ended March 31, 2024			Three-Month Period Ended March 31, 2023		
	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Average Borrowed Funds	Interest Expense	Average Cost of Funds
($ In thousands)						
Repurchase Agreements:						
Credit:						
CLO	$ 3,940	$ 67	6.84 %	$ —	$ —	— %
Non-Agency RMBS	10,535	178	6.80 %	14,578	215	5.98 %
Total Credit	14,475	245	6.81 %	14,578	215	5.98 %
Agency RMBS	655,270	9,092	5.58 %	$ 851,496	$ 9,307	4.43 %
Subtotal(1)	669,745	9,337	5.61 %	866,074	9,522	4.46 %
U.S. Treasury securities	5,481	72	5.30 %	10,772	124	4.69 %
Total	$ 675,226	$ 9,409	5.60 %	$ 876,846	$ 9,646	4.46 %

(1) Excludes U.S. Treasury securities.

Adjusted Cost of Funds

Among other instruments, we use interest rate swaps and U.S. Treasury securities to hedge against the risk to our borrowings of rising interest rates. As an alternative cost of funds measure, we add to our repo borrowing cost the net periodic amounts paid or payable by us on our interest rate swaps and the net interest (income) expense we incur on our positions in U.S. Treasury securities, and express the total as a percentage of our average outstanding repurchase agreement borrowings on yield-bearing assets (excluding U.S. Treasury securities).

The following table details the components of our adjusted cost of funds(1)(2) for the three-month periods ended March 31, 2024 and 2023:

	Three-Month Period Ended March 31, 2024			Three-Month Period Ended March 31, 2023		
($ In thousands)	Average Borrowed Funds(3)	Interest Expense (Benefit)	Average Cost of Funds	Average Borrowed Funds(3)	Interest Expense (Benefit)	Average Cost of Funds
Repurchase Agreements:						
Credit:						

CLO	$ 3,940	$ 67	6.84 %	$ —	$ —	— %
Non-Agency RMBS	10,535	178	6.80 %	14,578	215	5.98 %
Total Credit	14,475	245	6.81 %	14,578	215	5.98 %
Agency RMBS	655,270	9,092	5.58 %	851,496	9,307	4.43 %
Subtotal(4)	669,745	9,337	5.61 %	866,074	9,522	4.46 %
Adjustments:						
Net interest (income) expense related to U.S. Treasury securities(5)		(21)	(0.01)%		16	0.01 %
Net periodic expense (benefit) paid or payable on interest rate swaps		(5,701)	(3.43)%		(4,201)	(1.97)%
Total Adjusted Cost of Funds	$ 669,745	$ 3,615	2.17 %	866,074	5,337	2.50 %

(1) This metric does not take into account other instruments that we use to hedge interest rate risk, such as TBAs, swaptions, and futures.

(2) Conformed to current period presentation.

(3) Excludes average borrowed funds related to repurchase agreements collateralized by U.S. Treasury securities.

(4) Excludes U.S. Treasury securities.

(5) Includes interest expense from repurchase agreements collateralized by U.S. Treasury securities and from positions in short U.S. Treasury securities and interest income from reverse repurchase agreements collateralized by U.S. Treasury securities and from positions in long U.S. Treasury securities.

For the three-month period ended March 31, 2024, the weighted average yield on our Agency RMBS and credit portfolios excluding the impact of the Catch-up Amortization Adjustment was 5.20%, while our total adjusted average cost of funds, including interest rate swaps and net short U.S. Treasury securities, was 2.17%, resulting in a net interest margin of 3.03%. By comparison, for the three-month period ended March 31, 2023, the weighted average yield of our portfolio of Agency and non-Agency RMBS excluding the impact of the Catch-up Amortization Adjustment was 3.66%, while our total adjusted average cost of funds, including interest rate swaps and short U.S. Treasury securities, was 2.50%, resulting in a net interest margin of 1.16%.

Management Fees

For the three-month periods ended March 31, 2024 and 2023, our management fee expense was approximately $0.5 million and $0.4 million, respectively. Management fees are calculated based on our shareholders' equity at the end of each quarter. The increase in the management fee period over period was due to a larger capital base as of March 31, 2024.

Other Operating Expenses

Other operating expenses, as presented above, includes professional fees, compensation expense, insurance expense, and various other operating expenses included on the Consolidated Statement of Operations incurred in connection with the operation of our business. For the three-month periods ended March 31, 2024 and 2023, our other operating expenses were approximately $1.1 million and $0.9 million, respectively. The increase in other operating expenses for the three-month period ended March 31, 2024 was primarily due to an increase in professional fees and compensation expense.

Other Income (Loss)

Other income (loss) consists of net realized and net change in unrealized gains (losses) on securities and financial derivatives. For the three-month period ended March 31, 2024, Other income (loss) was $5.6 million, consisting primarily of net realized and unrealized gains of $13.7 million on our financial derivatives, which were partially offset by net realized and unrealized losses of $(8.1) million on our securities. Net realized and unrealized gains of $13.7 million on our financial derivatives consisted of net realized and unrealized gains of $15.7 million on our interest rate swaps and $0.4 million on our TBAs, partially offset primarily by net realized and unrealized losses of $(2.2) million on our U.S. Treasury and Euro FX futures, and $(0.2) million on our credit default swaps. The net gain on our financial derivatives was primarily the result of rising interest rates during the quarter. Net realized and unrealized losses of $(8.1) million on our securities, also driven by rising interest rates, consisted primarily of net realized and unrealized losses of $(10.8) million on our Agency RMBS, partially offset by net realized and unrealized gains of $1.2 million on our corporate CLOs, $0.8 million on our non-Agency RMBS, and $0.7 million on our U.S. Treasury securities.

For the three-month period ended March 31, 2023, Other income (loss) was $4.0 million, consisting primarily of net realized and unrealized gains of $12.8 million on our securities, which were partially offset by net realized and unrealized losses of $(8.8) million on our financial derivatives. Net realized and unrealized gains of $12.8 million on our securities consisted primarily of net realized and unrealized gains of $12.4 million on our Agency RMBS, driven by higher asset prices quarter over quarter. The net realized and unrealized losses on our financial derivatives of $(8.8) million consisted of net realized and unrealized losses of $(8.3) million on our interest rate swaps and $(1.2) million on our net short positions in TBAs, partially offset by net realized and unrealized gains of $0.7 million on our U.S. Treasury futures. The net loss on our financial derivatives was primarily the result of the decrease in interest rates during the quarter.

Adjusted Distributable Earnings

We calculate Adjusted Distributable Earnings as net income (loss), excluding adjusted for: (i) net realized and change in net unrealized gains and (losses) on securities, and financial derivatives, and excluding other income or loss items that are of a non-recurring nature, if any. Adjusted Distributable Earnings includes foreign currency transactions; (ii) net realized and change in net unrealized gains (losses) associated with periodic settlements on interest rate swaps. Adjusted Distributable Earnings also excludes the effect swaps; (iii) other income or loss items that are of the a non-recurring nature, if any; (iv) Catch-up Amortization Adjustment on interest income. (as defined below); and (v) provision for income taxes. The Catch-up Amortization Adjustment is a quarterly adjustment to premium amortization or discount accretion triggered by changes in actual and projected prepayments on our Agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on our then-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter.

Adjusted Distributable Earnings is a supplemental non-GAAP financial measure. We believe that the presentation of Adjusted Distributable Earnings provides information useful to investors, because: (i) we believe that it is a useful indicator of both current and projected long-term financial performance, in that it excludes the impact of certain current period earnings components that we believe are less useful in forecasting long-term performance and dividend-paying ability; (ii) we use it to evaluate the effective net yield provided by our portfolio, after the effects of financial leverage; and (iii) we believe that presenting Adjusted Distributable Earnings assists our investors in measuring and evaluating our operating performance, and comparing our operating performance to that of our residential mortgage REIT peers. Please note, however, that: (I) our Our calculation of Adjusted Distributable Earnings may differ from the calculation of similarly titled non-GAAP financial measures by our peers, with the result that these non-GAAP financial measures might not be directly comparable; and (II) Adjusted Distributable Earnings excludes certain items, such as most realized and unrealized gains and losses, that may impact the amount of cash that is actually available for distribution.

In addition, because Adjusted Distributable Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with U.S. GAAP, it should be considered supplementary to, and not as a substitute for, net income (loss) computed in accordance with U.S. GAAP.

Furthermore, Adjusted Distributable Earnings is different from REIT taxable income. As a result, the determination of whether we have met the requirement to distribute at least 90% of our annual REIT taxable income (subject to certain adjustments) to its shareholders, in order to maintain qualification as a REIT, is not based on whether we have distributed 90% of our Adjusted Distributable Earnings.

In setting our dividend, our Board of Trustees considers our earnings, liquidity, financial condition, REIT distribution requirements, and financial covenants, along with other factors that the Board of Trustees may deem relevant from time to time.

The following table reconciles, for the three- and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, Adjusted Distributable Earnings to the line on the Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable U.S. GAAP measure:

	Three-Month Period Ended		Nine-Month Period Ended	
(In thousands except for share amounts)	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Net Income (Loss)	$ (11,420)	$ (13,671)	$ (7,880)	$ (41,878)
Adjustments:				
Net realized (gains) losses on securities	19,572	28,236	46,278	57,870
Change in net unrealized (gains) losses on securities	15,824	27,574	(10,344)	106,224
Net realized (gains) losses on financial derivatives	(1,152)	(2,355)	(27,122)	(48,186)
Change in net unrealized (gains) losses on financial derivatives	(25,276)	(35,825)	(8,177)	(60,151)
Net realized gains (losses) on periodic settlements of interest rate swaps	796	364	6,507	(485)
Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	4,913	19	8,463	(352)
Non-recurring expenses	28	—	88	—
Negative (positive) component of interest income represented by Catch-up Amortization Adjustment	(46)	(1,381)	629	(2,486)
Subtotal	14,659	16,632	16,322	52,434
Adjusted Distributable Earnings	$ 3,239	$ 2,961	$ 8,442	$ 10,556
Weighted Average Shares Outstanding	15,199,837	13,146,727	14,273,071	13,121,214
Adjusted Distributable Earnings Per Share	$ 0.21	$ 0.23	$ 0.59	$ 0.80

Results of Operations for the Three-Month Periods Ended September 30, 2023 and 2022

Net Income (Loss)

Net income (loss) for the three-month period ended September 30, 2023 was $(11.4) million, as compared to $(13.7) million for the three-month period ended September 30, 2022. The period-over-period difference in our results of operations was primarily due to a decrease in total other loss in the current period as compared to the prior period, which was partially offset by a decline in net interest income (expense), primarily as a result of higher financing costs stemming from the significant increase in short-term interest rates period over period.

Interest Income

Our portfolio as of both September 30, 2023 and 2022 consisted primarily of Agency RMBS, and to a lesser extent, non-Agency RMBS and, as of September 30, 2023, CLO investments. Before interest expense, we earned approximately $10.4 million and $9.0 million in interest income on these securities for the three-month periods ended September 30, 2023 and 2022, respectively. The period-over-period increase in interest income primarily resulted from higher asset yields on our Agency RMBS in addition to higher average holdings on our non-Agency RMBS portfolio, partially offset by lower asset yields on our non-Agency RMBS and lower average holdings on our Agency RMBS portfolio. The Catch-up Amortization Adjustment causes variability in our interest income and portfolio yields. For the three-month periods ended September 30, 2023 and 2022, we had positive Catch-up Amortization Adjustments of approximately $46 thousand and $1.4 million, respectively, which increased interest income. Excluding the Catch-up Amortization Adjustments, the weighted average yield of our overall portfolio was 4.25% and 2.95% for the three-month periods ended September 30, 2023 and 2022, respectively.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the three-month periods ended September 30, 2023 and 2022:

	Agency(1)	Non-Agency(1)	Total(1)

(In thousands)	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield
Three-month period ended September 30, 2023	$ 9,791	$ 951,952	4.11 %	$ 601	$ 21,397	11.24 %	$ 10,392	$ 973,349	4.27 %
Three-month period ended September 30, 2022	$ 8,548	$ 1,014,834	3.37 %	$ 407	$ 13,902	11.72 %	$ 8,955	$ 1,028,736	3.48 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin) and long U.S. Treasury securities.

Interest Expense

For the three-month periods ended September 30, 2023 and 2022, the majority of interest expense that we incurred was related to our repo borrowings, which we use to finance our assets. We also incur interest expense in connection with our short positions in U.S. Treasury securities as well as on our counterparties' cash collateral held by us. Our total interest expense for the three-month period ended September 30, 2023 was $12.3 million, which primarily consisted of $12.1 million of interest expense on our repo borrowings, and $0.2 million of interest expense related to our short positions in U.S. Treasury securities. Our total interest expense for the three-month period ended September 30, 2022 was $4.3 million, which primarily consisted of $4.2 million of interest expense on our repo borrowings, and $0.2 million of interest expense related to our short positions in U.S. Treasury securities. The period-over-period increase in our total interest expense resulted mainly from higher financing costs stemming from the significant increase in short-term interest rates.

The following tables shows information related to our average cost of funds[1] on repurchase agreements for the three-month periods ended September 30, 2023 and 2022:

	Three-Month Period Ended September 30, 2023			Three-Month Period Ended September 30, 2022		
(In thousands)	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Average Borrowed Funds	Interest Expense	Average Cost of Funds
Agency RMBS	$ 851,942	$ 11,724	5.46 %	$ 906,844	$ 4,029	1.76 %
Non-Agency RMBS	15,409	265	6.81 %	11,701	102	3.47 %
U.S. Treasury Securities	10,269	139	5.37 %	10,397	58	2.23 %
Total	$ 877,620	$ 12,128	5.48 %	$ 928,942	$ 4,189	1.79 %

(1) This metric does not take into account other instruments that we use to hedge interest rate risk, such as TBAs, swaptions, and futures.

Among other instruments, we use interest rate swaps and short U.S. Treasury securities to hedge against the risk of rising interest rates. The following table shows information related to the components of our average cost of funds including actual and accrued periodic payments on our interest rate swaps and interest expense on short U.S. Treasury securities for the three-month periods ended September 30, 2023 and 2022:

	Repurchase Agreements			Interest Rate Swaps[1]		Short U.S. Treasury Securities[1][2]		Total[1]	
(In thousands)	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Net periodic expense paid or payable	Adjustment to Average Cost of Funds	Interest expense	Adjustment to Average Cost of Funds	Interest and net periodic expense paid or payable	Adjusted Average Cost of Funds
Three-month period ended September 30, 2023	$ 877,620	$ 12,128	5.48 %	$ (5,709)	(2.58)%	$ 234	0.11 %	$ 6,653	3.01 %
Three-month period ended September 30, 2022[3]	$ 928,942	$ 4,189	1.79 %	$ (383)	(0.16)%	$ 199	0.08 %	$ 4,005	1.71 %

(1) As an alternative cost of funds measure, we add to our repo borrowing cost the net periodic amounts paid or payable by us on our interest rate swaps and the interest expense we incur on our short positions in U.S. Treasury securities, and express the total as a percentage of our average outstanding repurchase agreement borrowings.

(2) Includes interest expense on reverse repurchase agreements with negative interest rates, which can occur when we borrow certain bonds that we have sold short.

(3) Conformed to current period presentation.

For the three-month period ended September 30, 2023, the weighted average yield of our portfolio of Agency and non-Agency RMBS excluding the impact of the Catch-up Amortization Adjustment was 4.25%, while our total adjusted average cost of funds, including interest rate swaps and short U.S. Treasury securities, was 3.01%, resulting in a net interest margin of 1.24%. By comparison, for the three-month period ended September 30, 2022, the weighted average yield of our portfolio of Agency and non-Agency RMBS excluding the impact of the Catch-up Amortization Adjustment was 2.95%, while our total adjusted average cost of funds, including interest rate swaps and short U.S. Treasury securities, was 1.71%, also resulting in a net interest margin of 1.24%.

Management Fees

For each of the three-month periods ended September 30, 2023 and 2022, our management fee expense was approximately $0.4 million. Management fees are calculated based on our shareholders' equity at the end of each quarter.

Other Operating Expenses

Other operating expenses, as presented above, include professional fees, compensation expense, insurance expense, and various other expenses incurred in connection with the operation of our business. For the three-month periods ended September 30, 2023 and 2022, our other operating expenses were approximately $0.9 million and $0.8 million, respectively. The increase in other operating expenses for the three-month period ended September 30, 2023 was primarily due to an increase in professional fees.

Other Income (Loss)

Other income (loss) consists of net realized and net change in unrealized gains (losses) on securities and financial derivatives. For the three-month period ended September 30, 2023, Other income (loss) was $(9.0) million, consisting primarily of net realized and unrealized losses of $(35.4) million on our securities, which were partially offset by net realized and unrealized gains of $26.4 million on our financial derivatives. Net realized and unrealized losses of $(35.4) million on our securities consisted primarily of net realized and unrealized losses of $(35.4) million on our Agency RMBS and $(0.4) million in U.S. Treasury securities, offset by the net realized and unrealized gains of $0.4 million in Non-Agency RMBS. The net loss on our securities was caused by lower asset prices quarter over quarter, primarily driven by higher interest rates, and to a lesser extent, yield spread widening. The net realized and unrealized gains on our financial derivatives of $26.4 million consisted of net realized and unrealized gains of $22.3 million on our interest rate swaps and $6.7 million on our net short positions in TBAs, partially offset by net realized and unrealized losses of $(2.6) million on our U.S. Treasury futures. The net gain on our financial derivatives was primarily the result of the increase in interest rates during the quarter.

For the three-month period ended September 30, 2022, Other income (loss) was $(17.6) million, consisting primarily of net realized and unrealized losses of $(55.8) million on our securities, which were partially offset by net realized and unrealized gains of $38.2 million on our financial derivatives. Net realized and unrealized losses of $(55.8) million on our securities, consists primarily of losses on our Agency RMBS, which were caused by significantly lower asset prices, driven by rising interest rates and widening yield spreads. The net realized and unrealized gains on our financial derivatives of $38.2 million consisted of net realized and unrealized gains of $30.7 million on our interest rate swaps, $8.0 million on our short positions in TBAs, which were partially offset by net realized and unrealized losses of $(0.5) million on our U.S. Treasury futures. The net gains on our financial derivatives were primarily the result of the significant increase in interest rates, and in the case of short positions in TBAs, also of widening yields spreads.

Results of Operations for the Nine-Month Periods Ended September 30, 2023 and 2022

Net Income (Loss)

Net income (loss) for the nine-month period ended September 30, 2023 was $(7.9) million, as compared to $(41.9) million for the nine-month period ended September 30, 2022. The period-over-period difference in our results of operations was primarily due to a substantial decrease in total other loss in the current period as compared to the prior period, which was partially offset by a significant decline in net interest income (expense), primarily as a result of higher financing costs stemming from the significant increase in short-term interest rates period over period.

Interest Income

Our portfolio as of both September 30, 2023 and 2022 consisted primarily of Agency RMBS, and to a lesser extent, non-Agency RMBS and, as of September 30, 2023, CLO investments. Before interest expense, we earned approximately $28.5 million and $24.3 million in interest income on these securities for the nine-month periods ended September 30, 2023 and 2022, respectively. The period-over-period increase in interest income primarily resulted from higher asset yields on both our Agency and non-Agency RMBS, in addition to higher average holdings on our non-Agency RMBS portfolio, partially offset by lower average holdings on our Agency RMBS portfolio. The Catch-up Amortization Adjustment causes variability in our interest income and portfolio yields. For the nine-month periods ended September 30, 2023, we had a negative Catch-up Amortization Adjustments of approximately $(0.6) million, which decreased interest income. For the nine-month periods ended September 30, 2022, we had a positive Catch-up Amortization Adjustments of approximately $2.5 million, which increased interest income. Excluding the Catch-up Amortization Adjustments, the weighted average yield of our overall portfolio was 3.95% and 2.62% for the nine-month periods ended September 30, 2023 and 2022, respectively.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the nine-month periods ended September 30, 2023 and 2022:

	Agency(1)			Non-Agency(1)			Total(1)		
(In thousands)	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield
Nine-month period ended September 30, 2023	$ 26,722	$ 960,901	3.71 %	$ 1,783	$ 21,391	11.11 %	$ 28,505	$ 982,292	3.87 %
Nine-month period ended September 30, 2022	$ 23,183	$ 1,095,226	2.82 %	$ 1,121	$ 13,757	10.87 %	$ 24,304	$ 1,108,983	2.92 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin) and long U.S. Treasury securities.

Interest Expense

For the nine-month periods ended September 30, 2023 and 2022, the majority of interest expense that we incurred was related to our repo borrowings, which we use to finance our assets. We also incur interest expense in connection with our short positions in U.S. Treasury securities as well as on our counterparties' cash collateral held by us. Our total interest expense for the nine-month period ended September 30, 2023 was $33.7 million, which primarily consisted of $33.2 million of interest expense on our repo borrowing, and $0.5 million of interest expense related to our short positions in U.S. Treasury securities. Our total interest expense for the nine-month period ended September 30, 2022 was $7.3 million, which primarily consisted of $6.8 million of interest expense on our repo borrowings, and $0.6 million of interest expense related to our short positions in U.S. Treasury securities. The period-over-period increase in our total interest expense resulted mainly from higher financing costs stemming from the significant increase in short-term interest rates.

The following tables shows information related to our average cost of funds(1) on repurchase agreements for the nine-month periods ended September 30, 2023 and 2022:

	Nine-Month Period Ended September 30, 2023	Nine-Month Period Ended September 30, 2022

(In thousands)	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Average Borrowed Funds	Interest Expense	Average Cost of Funds
Agency RMBS	$ 853,690	$ 32,135	5.03 %	$ 1,024,793	$ 6,555	0.86 %
Non-Agency RMBS	14,696	706	6.42 %	8,937	171	2.55 %
U.S. Treasury Securities	10,091	383	5.08 %	9,823	82	1.12 %
Total	$ 878,477	$ 33,224	5.06 %	$ 1,043,553	$ 6,808	0.87 %

(1) This metric does not take into account other instruments that we use to hedge interest rate risk, such as TBAs, swaptions, and futures.

Among other instruments, we use interest rate swaps and short U.S. Treasury securities to hedge against the risk of rising interest rates. The following table shows information related to the components of our average cost of funds including accrued periodic payments on our interest rate swaps and interest expense on short U.S. Treasury securities for the nine-month periods ended September 30, 2023 and 2022:

	Repurchase Agreements			Interest Rate Swaps(1)		Short U.S. Treasury Securities(1)(2)		Total(1)	
(In thousands)	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Net periodic expense paid or payable	Adjustment to Average Cost of Funds	Interest expense	Adjustment to Average Cost of Funds	Interest and net periodic expense paid or payable	Adjusted Average Cost of Funds
Nine-month period ended September 30, 2023	$ 878,477	$ 33,224	5.06 %	$ (14,970)	(2.28)%	$ 516	0.08 %	$ 18,770	2.86 %
Nine-month period ended September 30, 2022(3)	$ 1,043,553	$ 6,808	0.87 %	$ 835	0.11 %	$ 601	0.08 %	$ 8,244	1.06 %

(1) As an alternative cost of funds measure, we add to our repo borrowing cost the net periodic amounts paid or payable by us on our interest rate swaps and the interest expense we incur on our short positions in U.S. Treasury securities, and express the total as a percentage of our average outstanding repurchase agreement borrowings.

(2) Includes interest expense on reverse repurchase agreements with negative interest rates, which can occur when we borrow certain bonds that we have sold short.

(3) Conformed to current period presentation.

For the nine-month period ended September 30, 2023, the weighted average yield of our portfolio of Agency and non-Agency RMBS excluding the impact of the Catch-up Amortization Adjustment was 3.95%, while our total adjusted average cost of funds, including interest rate swaps and short U.S. Treasury securities, was 2.86%, resulting in a net interest margin of 1.09%. By comparison, for the nine-month period ended September 30, 2022, the weighted average yield of our portfolio of Agency and non-Agency RMBS excluding the impact of the Catch-up Amortization Adjustment was 2.62%, while our total adjusted average cost of funds, including interest rate swaps and short U.S. Treasury securities, was 1.06%, resulting in a net interest margin of 1.56%.

Management Fees

For each the nine-month periods ended September 30, 2023 and 2022, our management fee expense was approximately $1.3 million. Management fees are calculated based on our shareholders' equity at the end of each quarter.

Other Operating Expenses

Other operating expenses, as presented above, include professional fees, compensation expense, insurance expense, and various other expenses incurred in connection with the operation of our business. For the nine-month periods ended September 30, 2023 and 2022, our other operating expenses were approximately $2.9 million and $2.5 million, respectively. The increase in other operating expenses for the nine-month period ended September 30, 2023 was primarily due to an increase in professional fees.

Other Income (Loss)

Other income (loss) consists of net realized and net change in unrealized gains (losses) on securities and financial derivatives. For the nine-month period ended September 30, 2023, Other income (loss) was $(0.6) million, consisting primarily of net realized and unrealized losses of $(35.9) million on our securities, which were mostly offset by net realized and unrealized gains of $35.3 million on our financial derivatives. Net realized and unrealized losses of $(35.9) million on our securities consisted primarily of net realized and unrealized losses of $(37.2) million on our Agency RMBS, partially offset by net realized and unrealized gains of $1.3 million in non-agency RMBS, respectively. The net loss on our securities was caused by lower asset prices period over period, primarily driven by higher interest rates, and to a lesser extent, yield spread widening. The net realized and unrealized gains on our financial derivatives of $35.3 million consisted of net realized and unrealized gains of $30.8 million on our interest rate swaps and $7.9 million on our net short positions in TBAs, partially offset by net realized and unrealized losses of $(3.3) million on our U.S. Treasury futures. The net gain on our financial derivatives was primarily the result of the increase in interest rates during the period.

For the nine-month period ended September 30, 2022, Other income (loss) was $(55.8) million, consisting of net realized and unrealized losses of $(164.1) million on our securities and net realized and unrealized gains of $108.3 million on our financial derivatives. Net realized and unrealized losses on our securities primarily consisted of net realized and unrealized losses of $(168.1) million on our Agency RMBS, partially offset by net realized and unrealized gains of $4.0 million on our short U.S. Treasury securities. The net realized and unrealized gains on our financial derivatives of $108.3 million consisted of net realized and unrealized gains of $64.9 million on our interest rate swaps, $20.6 million on our U.S. Treasury futures, and $22.8 million on our short positions in TBAs. The losses on our Agency RMBS were caused by significantly lower asset prices, driven by rising interest rates and widening yield spreads, while the net realized and unrealized gains on our financial derivatives and short U.S. Treasury securities were primarily the result of the significant increase in interest rates, and in the case of short positions in TBAs, also of widening yield spreads.

(In thousands except for share amounts and per share amounts)	Three-Month Period Ended March 31, 2024	Three-Month Period Ended March 31, 2023
Net Income (Loss)	$ 3,961	$ 2,337
Income tax expense (benefit)	303	—
Net Income (Loss) before income taxes	$ 4,264	$ 2,337
Adjustments:		
Net realized (gains) losses on securities	9,823	15,126
Change in net unrealized (gains) losses on securities	(1,760)	(27,948)
Net realized (gains) losses on financial derivatives	(3,459)	(1,743)
Change in net unrealized (gains) losses on financial derivatives	(10,216)	10,551
Net realized gains (losses) on periodic settlements of interest rate swaps	5,812	1,769
Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	(111)	2,432
Non-recurring expenses	75	—
Negative (positive) component of interest income represented by Catch-up Amortization Adjustment	884	299
Subtotal	1,048	486
Adjusted Distributable Earnings	$ 5,312	$ 2,823
Weighted Average Shares Outstanding	19,548,408	13,666,707
Adjusted Distributable Earnings Per Share	$ 0.27	$ 0.21

Liquidity and Capital Resources

Liquidity refers to our ability to generate and obtain adequate amounts of cash to meet our requirements, including repaying our borrowings, funding and maintaining RMBS and other assets, paying dividends, and other general business needs. Our short-term (the 12 months following period end) and long-term (beyond 12 months from period end) liquidity requirements include acquisition costs for assets we acquire, payment of our management fee, compliance with margin requirements under our repurchase agreements, TBA and other financial derivative contracts, repayment of repurchase agreement borrowings to the extent we are unable or unwilling to extend our repurchase agreements, the payment of dividends, and payment of our general operating expenses. Our capital resources primarily include cash on hand, cash flow from our investments (including monthly principal and interest payments received on our securities and proceeds from the sale of securities), borrowings under repurchase agreements, and proceeds from equity offerings. We expect that these sources of funds will be sufficient to meet our short-term and long-term liquidity needs.

We borrow funds in the form of repurchase agreements. The terms of our repo borrowings are predominantly governed by Master Repurchase Agreements, or "MRAs," which generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association as to repayment and margin requirements. In addition, each lender may require that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions include the addition of or changes to provisions relating to margin calls, net asset value requirements, cross default provisions, certain key person events, changes in corporate structure, and requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction. These provisions may differ for each of our lenders.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had $811.2 million $683.2 million and $842.5 million $729.5 million outstanding under our repurchase agreements, respectively. As of September 30, 2023 March 31, 2024, our outstanding repurchase agreements were with 19 counterparties.

The amounts borrowed under our repurchase agreements are generally subject to the application of "haircuts." A haircut is the percentage discount that a repo lender applies to the market value of an asset serving as collateral for a repo borrowing, for the purpose of determining whether such repo borrowing is adequately collateralized. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the weighted average contractual haircut applicable to the assets that serve as collateral for our outstanding repo borrowings was 5.4% 5.6% and 5.5% 5.7%, respectively.

The following table details total outstanding borrowings, average outstanding borrowings, and the maximum outstanding borrowings at any month end for each quarter under repurchase agreements for the past twelve quarters.

Quarter Ended	Quarter Ended	Borrowings Outstanding at Quarter End	Average Borrowings Outstanding	Maximum Borrowings Outstanding at Any Month End	Quarter Ended	Borrowings Outstanding at Quarter End	Average Borrowings Outstanding	Maximum Borrowings Outstanding at Any Month End
			(In thousands)					
		(In thousands)						(In thousands)
March 31, 2024								
December 31, 2023								

September 30, 2023	September 30, 2023	$ 811,180	$ 877,620	$ 900,511
June 30, 2023	June 30, 2023	875,030	880,957	883,043
March 31, 2023	March 31, 2023	875,670	876,846	897,629
December 31, 2022	December 31, 2022	842,455	899,752	881,401
September 30, 2022	September 30, 2022	938,046	928,942	940,321
June 30, 2022	June 30, 2022	950,339	1,070,229	1,087,826
March 31, 2022	March 31, 2022	1,211,163	1,133,738	1,211,163
December 31, 2021	December 31, 2021	1,064,835	1,068,384	1,088,712
September 30, 2021	September 30, 2021	1,062,197	1,114,820	1,140,182
June 30, 2021	June 30, 2021	1,135,497	1,166,954	1,196,779
March 31, 2021		1,106,724	1,040,521	1,106,724
December 31, 2020		1,015,245	1,033,128	1,050,840

As of September 30, 2023 March 31, 2024, we had an aggregate amount at risk under our repurchase agreements with 18 counterparties of $46.8 million $41.2 million. As of December 31, 2022 December 31, 2023, we had an aggregate amount at risk under our repurchase agreements with 17 19 counterparties of $49.8 million $50.1 million. Amounts at risk represent the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repurchase agreements. If the amounts outstanding under repurchase agreements with a particular counterparty are greater than the collateral held by the counterparty, there is no amount at risk for the particular counterparty. Amounts at risk under our repurchase agreements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 does not include $0.3 million $1.5 million and $1.5 million $0.5 million, respectively, of net accrued interest receivable, which is defined as accrued interest on securities held as collateral less interest payable on cash borrowed.

Our derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the "Dodd-Frank Act." We may be required to deliver or receive cash or securities as collateral upon entering into derivative transactions. Changes in the relative value of derivative transactions may require us or the counterparty to post or receive additional collateral. Entering into derivative contracts involves market risk in excess of amounts recorded on our balance sheet. In the case of cleared derivatives, the clearinghouse becomes our counterparty and the future commission merchant acts as an intermediary between us and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral.

As of September 30, 2023 March 31, 2024, we had an aggregate amount at risk under our derivative contracts, excluding TBAs, with three counterparties of approximately $23.4 million $21.4 million. As of December 31, 2022 December 31, 2023, we had an aggregate amount at risk under our derivatives contracts, excluding TBAs, with three counterparties of approximately $24.5 million $26.0 million. Amounts at risk under our derivatives contracts represent the excess, if any, for each counterparty of the fair value of our derivative contracts plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the financial derivatives plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

We purchase and sell TBAs and Agency pass-through certificates on a when-issued or delayed delivery basis. The delayed delivery for these securities means that these transactions are more prone to market fluctuations between the trade date and the ultimate settlement date, and therefore are more vulnerable, especially in the absence of margining arrangements with respect to these transactions, to increasing amounts at risk with the applicable counterparties. As of September 30, 2023 March 31, 2024, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with six seven counterparties of approximately $2.5 million $2.3 million. As of December 31, 2022 December 31, 2023, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with eight seven counterparties of approximately $4.6 million $1.7 million. Amounts at risk in connection with our forward settling TBA and Agency pass-through certificates represent the excess, if any, for each counterparty of the net fair value of the forward settling contracts plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the forward settling contracts plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of $40.0 million $22.4 million.

The timing and frequency of distributions will be determined by our Board of Trustees based upon a variety of factors deemed relevant by our trustees, including restrictions under applicable law, our capital requirements, and the REIT requirements of the Code. The declaration of dividends to our shareholders and the amount of such dividends are at the discretion of our Board of Trustees. The following table sets forth the dividend distributions authorized by the Board of Trustees for the periods indicated below:

Nine-Month Three-Month Period Ended September 30, 2023 March 31, 2024:

Dividend Per Share	Dividend Amount	Declaration Date	Record Date	Payment Date
	(In thousands)			

$	0.08	$	1,270	September 7, 2023	September 29, 2023	October 25, 2023
	0.08		1,258	August 7, 2023	August 31, 2023	September 25, 2023
	0.08		1,209	July 10, 2023	July 31, 2023	August 25, 2023
	0.08		1,150	June 7, 2023	June 30, 2023	July 25, 2023
	0.08		1,115	May 8, 2023	May 31, 2023	June 26, 2023
	0.08		1,106	April 10, 2023	April 28, 2023	May 25, 2023
	0.08		1,106	March 7, 2023	March 31, 2023	April 25, 2023
	0.08		1,103	February 7, 2023	February 28, 2023	March 27, 2023
	0.08		1,096	January 9, 2023	January 31, 2023	February 27, 2023

Dividend Per Share		Dividend Amount		Declaration Date	Record Date	Payment Date
		(In thousands)				
$	0.08	$	1,586	March 7, 2024	March 29, 2024	April 25, 2024
	0.08		1,586	February 7, 2024	February 29, 2024	March 25, 2024
	0.08		1,585	January 8, 2024	January 31, 2024	February 26, 2024

Nine-Month Three-Month Period Ended September 30, 2022 March 31, 2023:

Dividend Per Share		Dividend Amount		Declaration Date	Record Date	Payment Date
		(In thousands)				
$	0.08	$	1,060	September 8, 2022	September 30, 2022	October 25, 2022
	0.08		1,058	August 4, 2022	August 31, 2022	September 26, 2022
	0.08		1,046	July 8, 2022	July 29, 2022	August 25, 2022
	0.08		1,046	June 7, 2022	June 30, 2022	July 25, 2022
	0.08		1,049	May 2, 2022	May 31, 2022	June 27, 2022
	0.10		1,311	April 7, 2022	April 29, 2022	May 25, 2022
	0.10		1,311	March 7, 2022	March 31, 2022	April 25, 2022
	0.10		1,311	February 7, 2022	February 28, 2022	March 25, 2022
	0.10		1,311	January 7, 2022	January 31, 2022	February 25, 2022

Dividend Per Share		Dividend Amount		Declaration Date	Record Date	Payment Date
		(In thousands)				
$	0.08	$	1,106	March 7, 2023	March 31, 2023	April 25, 2023
	0.08		1,103	February 7, 2023	February 28, 2023	March 27, 2023
	0.08		1,096	January 9, 2023	January 31, 2023	February 27, 2023

On October 6, 2023 April 8, 2024, the Board of Trustees approved a monthly dividend in the amount of $0.08 per share payable on November 27, 2023 May 28, 2024 to shareholders of record as of October 31, 2023 April 30, 2024.

On November 7, 2023 May 7, 2024, the Board of Trustees approved a monthly dividend in the amount of $0.08 per share payable on December 26, 2023 June 25, 2024 to shareholders of record as of November 30, 2023 May 31, 2024.

At those times when cash flows from our operating activities are insufficient to fund our dividend payments, we fund such dividend payments through cash flows from our investing and/or financing activities, and in some cases from additional cash on hand. The following paragraphs summarize our cash flows for the nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022. 2023.

For the nine-month three-month period ended September 30, 2023 March 31, 2024, our operating activities used net cash of $7.7 million $1.2 million and our investing activities provided net cash of $50.5 million $40.6 million. Our repo activity used to finance our purchase of securities (including repayments, in conjunction with the sales of securities, of amounts borrowed under our repurchase agreements as well as collateral posted in connection with our repo activity) used net cash of $44.6 million $58.2 million. Thus our operating and investing activities, when combined with our net repo financing activities, used net cash of $1.8 million $18.7 million. We also received proceeds from the issuance of common shares, net of agent commissions and offering costs paid of $17.2 million $7.3 million. We also used $10.2 million $4.7 million to pay dividends. As a result of these activities, there was an increase a decrease in our cash holdings of $5.2 million $16.1 million, from $34.8 million $38.5 million as of December 31, 2022 December 31, 2023 to $40.0 million $22.4 million as of September 30, 2023 March 31, 2024.

For the nine-month three-month period ended September 30, 2022 March 31, 2023, our operating activities provided used net cash of $18.2 million $2.4 million and our investing activities provided used net cash of $40.2 million $45.1 million. Our repo activity used to finance our purchase of securities (including repayments, in conjunction with the sales of securities, of amounts borrowed under our repurchase agreements as well as collateral posted in connection with our repo activity) used provided net cash of $92.2 million $49.1 million. Thus our operating and investing activities, when combined with our net repo financing activities, used provided net cash of $33.8 million $1.6 million. We also received net proceeds from the issuance of common shares, net of $1.3 million commissions and offering costs paid of $3.5 million. We used $10.8 million $3.3 million to pay dividends, and $0.3 million to repurchase common shares. dividends. As a result of these activities, there was a decrease increase in our cash holdings of $43.6 million $1.8 million, from $69.0 million $34.8 million as of December 31, 2021 December 31, 2022 to $25.4 million $36.7 million as of September 30, 2022 March 31, 2023.

On April 2, 2021, we commenced implemented an "at-the-market" offering program, or "ATM program," by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to $75.0 million of common shares from time to time. During The 2021 ATM program was terminated in connection with the establishment of the 2023 ATM program, hereinafter defined. On November 14, 2023, we implemented an "at the market" offering program, or the "2023 ATM program," by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to $100.0 million of common shares from time to time. In the aggregate, under the 2021 ATM program and 2023 ATM program, during the three-month period ended September 30, 2023 March 31, 2024, we issued 1,459,028 1,218,146 common shares under the ATM program which provided $9.8 $7.4 million of net proceeds after $176 thousand $0.1 million of agent commissions and $40 $28 thousand of offering costs. During the nine-month period ended September 30, 2023, we issued 2,462,489 common shares under the ATM program which provided $17.1 million of net proceeds after $307 thousand of agents commissions and $101 thousand of offering costs. From commencement of the ATM program through September 30, 2023, we issued 2,894,538 common shares under the ATM program, which provided $21.1 million of net proceeds after $0.4 million of agent commissions and $0.2 million of offering costs. As of September 30, 2023 March 31, 2024, we had $53.7 million $78.4 million of common shares available to be issued remaining under the 2023 ATM program. From commencement of the 2023 ATM program through May 10, 2024, we issued 3,795,080 common shares under the 2023 ATM program, which provided $21.2 million of net proceeds after $2.3 million of commissions and $0.2 million of offering costs.

On June 13, 2018, our Board of Trustees approved the adoption of a share repurchase program under which we are authorized to repurchase up to 1.2 million common shares. The program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including through Rule 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations. Under the current repurchase program adopted on June 13, 2018, we have repurchased 474,192 common shares through May 12, 2023 May 10, 2024 at an average price per share of $9.21 and an aggregate cost of $4.4 million, and have authorization to repurchase an additional 725,808 common shares. We did not purchase any shares under this program during the three-month period ended September 30, 2023 March 31, 2024.

Based on our current portfolio, amount of free cash on hand, debt-to-equity ratio and current and anticipated availability of credit, we believe that our capital resources will be sufficient to enable us to meet anticipated short-term and long-term liquidity requirements.

We are not required by our investment guidelines to maintain any specific debt-to-equity ratio, and we believe that the appropriate leverage for the particular assets we hold depends on the credit quality and risk of those assets, as well as the general availability and terms of stable and reliable financing for those assets.

Contractual Obligations and Commitments

We are a party to a management agreement with our Manager. Pursuant to that agreement, our Manager is entitled to receive a management fee based on shareholders' equity, reimbursement of certain expenses and, in certain circumstances, a termination fee. Such fees and expenses do not have fixed and determinable payments. For a description of the management agreement provisions, see Note 9 to our consolidated financial statements.

We enter into repurchase agreements with third-party broker-dealers whereby we sell securities to such broker-dealers at agreed-upon purchase prices at the initiation of the repurchase agreements and agree to repurchase such securities at predetermined repurchase prices and termination dates, thus providing the broker-dealers with an implied interest rate on the funds initially transferred to us by the broker-dealers. We may enter into reverse repurchase agreements with third-party broker-dealers whereby we purchase securities under agreements to resell at an agreed-upon price and date. In general, we most often will enter into reverse repurchase agreement transactions in order to effectively borrow securities that we can then deliver to counterparties to whom we have made short sales of the same securities. The implied interest rates on the repurchase agreements and reverse repurchase agreements we enter into are based upon competitive market rates at the time of initiation. Repurchase agreements and reverse repurchase agreements that are conducted with the same counterparty may be reported on a net basis if they meet the requirements of ASC 210-20, *Balance Sheet, Offsetting*. As of both September 30, 2023 March 31, 2024 and December 31, 2022, December 31,

2023, there were no repurchase agreements and reverse repurchase agreements reported on a net basis on the Consolidated Balance Sheet.

As of September 30, 2023 March 31, 2024, we had $811.2 million $683.2 million of outstanding borrowings with 19 counterparties.

Off-Balance Sheet Arrangements

As of September 30, 2023 March 31, 2024, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide funding to any such entities. As such, we are not materially exposed to any market, credit, liquidity, or financing risk that could arise if we had engaged in such relationships.

Inflation

Virtually all of our assets and liabilities are interest rate-sensitive in nature. As a result, interest rates and other factors generally influence our performance more than does inflation. Our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

However, elevated long-term inflation could adversely impact the performance of our investment portfolio, or the prices of our investments, or both. For example, if higher inflation is not matched by an increase in wages, inflation could cause the real income of the borrowers whose loans underlie our non-Agency RMBS to decline. A decline in the real income of consumers could also cause a decline in consumer spending, which could negatively impact the profitability of many of the corporate borrowers whose loans underlie our corporate CLOs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary components of our market risk are related to interest rate risk, prepayment risk, and credit risk. We seek to actively manage these and other risks and to acquire and hold assets that we believe justify bearing those risks, and to maintain capital levels consistent with those risks.

Credit Risk

We are subject to credit risk in connection with certain of our assets, especially our non-Agency RMBS and our corporate CLOs. Credit losses on real estate loans underlying our non-Agency RMBS can occur for many reasons, including, but not limited to, poor origination practices, fraud, faulty appraisals, documentation errors, poor underwriting, legal errors, poor servicing practices, weak economic conditions, decline in the value of homes, special hazards, earthquakes and other natural events, over-leveraging of the borrower on the property, reduction in market rents and occupancy rates and poor property management services in the case of rented homes, changes in legal protections for lenders, reduction in personal income, job loss, and personal events such as divorce or health problems. Property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional, and local economic conditions (which may be adversely affected by industry slowdowns and other factors), local real estate conditions (such as an oversupply of housing), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors, and retroactive changes to building or similar codes.

Credit losses can occur on our CLO investments. The corporate loans and other corporate credit assets underlying our CLO investments will typically be rated below investment grade and, as a result, involve greater credit and liquidity risk than investment grade corporate credit obligations and hence may carry a greater risk of default, especially during recessionary environments. These underlying assets will generally be floating rate in nature, and as a result, can suffer from weaker abilities to service debt costs in higher interest rate environments, increasing credit risks on the CLO investments.

While most of the assets underlying our CLO investments are expected to be senior secured and first lien in nature, CLOs also invest, in some cases, in subordinated obligations that do not have first priority claims in the event of a default by their related obligors. Our CLO investments will typically be in subordinated positions within the CLO capital structure with respect to realized losses, and the leveraged nature of the CLO vehicle amplifies the negative impact of any collateral losses.

For our non-Agency RMBS and other mortgage-related instruments with credit risk, the two primary components of such credit risk are default risk and severity risk.

Default Risk

Default risk is the risk that borrowers will fail to make principal and interest payments on a mortgage loan or other debt obligation. Subject to maintaining our exclusion from registration under the Investment Company Act, we may selectively attempt to mitigate our default risk by, among other things, opportunistically entering into credit default swaps. These instruments can reference various MBS indices, corporate bond indices, or corporate entities, such as publicly traded REITs. We also rely on third-party servicers to mitigate our default risk, but such third-party servicers may have little or no economic incentive to mitigate loan default rates.

Severity Risk

Severity risk is the risk of loss upon a borrower default on a mortgage loan underlying our RMBS or other secured or unsecured debt obligation. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the mortgage loan or debt obligation, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs. We rely on third-party servicers to mitigate our severity risk, but such third-party servicers may have little or no economic incentive to mitigate loan loss severities. Such mitigation efforts may include loan modification programs and prompt foreclosure and property liquidation following a default.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. We are subject to interest rate risk in connection with most of our assets and liabilities. For some securities in our portfolio, the coupon interest rates on, and therefore also the values of, such securities are highly sensitive to interest rate movements, such as inverse floating rate RMBS, which benefit from falling interest rates. Our repurchase agreements generally have maturities of up to 364 days and carry interest rates that are determined by reference to a benchmark rate such SOFR for those same periods. Whenever one of our fixed-rate repo borrowings matures, it will generally be replaced with a new fixed-rate repo borrowing based on market interest rates prevailing at such time. Subject to maintaining our qualification as a REIT and our exclusion from registration under the Investment Company Act, we opportunistically hedge our interest rate risk by entering into interest rate swaps, TBAs, U.S. Treasury securities, Eurodollar and U.S. Treasury futures, and other instruments. In general, such hedging instruments are used to mitigate the interest rate risk arising from the mismatch between the duration of our financed Agency RMBS and the duration of the liabilities used to finance such assets.

In addition to measuring and mitigating the risk related to changes in interest rates with respect to the generally shorter-term liabilities we incur to acquire and hold generally longer-lived RMBS and CLOs, we also monitor the effect of changes in interest rates on the discounted present value of our portfolio of assets and liabilities. The following sensitivity analysis table shows the estimated impact on the fair value of our portfolio segregated by certain identified categories as of September 30, 2023 March 31, 2024, assuming a static portfolio and immediate and parallel shifts in interest rates from current levels as indicated below.

(In thousands)	**Estimated Change for a Decrease in Interest Rates by**		**Estimated Change for an Increase in Interest Rates by**	
	50 Basis Points	**100 Basis Points**	**50 Basis Points**	**100 Basis Points**

($ In thousands)		*($ In thousands)*	**Estimated Change for a Decrease in Interest Rates by**
	50 Basis Points		**50 Basis Points**

Category of Instruments	Category of Instruments	Market Value	% of Total Equity	Market Value	% of Total Equity	Market Value	% of Total Equity	Market Value	% of Total Equity	Category of Instruments	Market Value		% of Total Equity	Market Value	
Agency RMBS, and CMBS excluding TBAs	Agency RMBS, and CMBS excluding TBAs	$20,052	17.99 %	$39,170	35.14 %	$(20,989)	(18.83)%	$(42,914)	(38.50)%	Agency RMBS, and CMBS excluding TBAs	$14,864	10.40	10.40 %	$ 27,981	19.58
Long TBAs	Long TBAs	1,504	1.35 %	2,870	2.57 %	(1,641)	(1.47)%	(3,419)	(3.07)%	Long TBAs	1,128	0.79	0.79 %	2,087	1.46
Short TBAs	Short TBAs	(3,188)	(2.87)%	(6,361)	(5.71)%	3,204	2.87 %	6,425	5.77 %	Short TBAs	(1,247)	(0.87)	(0.87)%	(2,333)	(1.63)
Non-Agency RMBS	Non-Agency RMBS	(60)	(0.05)%	(272)	(0.24)%	(91)	(0.08)%	(333)	(0.30)%	Non-Agency RMBS	(238)	(0.17)	(0.17)%	(674)	(0.47)
U.S. Treasury Securities, Interest Rate Swaps, and Futures		(18,549)	(16.64)%	(37,901)	(33.99)%	17,747	15.92 %	34,691	31.12 %						
CLOs										CLOs	55		0.04 %	110	
U.S. Treasury Securities, Interest Rate Swaps, Options, and Futures										U.S. Treasury Securities, Interest Rate Swaps, Options, and Futures	(15,680)		(10.97) %	(32,046)	(
Corporate Securities and Derivatives on Corporate Securities	Corporate Securities and Derivatives on Corporate Securities	(3)	— %	(6)	(0.01)%	3	— %	6	0.01 %	Corporate Securities and Derivatives on Corporate Securities	(8)	(0.01)	(0.01)%	(17)	(0.01)
Repurchase and Reverse Repurchase Agreements	Repurchase and Reverse Repurchase Agreements	(301)	(0.27)%	(602)	(0.54)%	301	0.27 %	602	0.54 %	Repurchase and Reverse Repurchase Agreements	(144)	(0.10)	(0.10)%	(289)	(0.20)
Total	Total	$ (545)	(0.49)%	$ (3,102)	(2.78)%	$ (1,466)	(1.32)%	$ (4,942)	(4.43)%	Total	$ (1,270)	(0.89)	(0.89)%	$ (5,181)	(3.61)

The preceding analysis does not show sensitivity to changes in interest rates for instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain of our holdings of CLOs, corporate securities, and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates.

Our analysis of interest rate risk is derived from Ellington's proprietary models as well as third-party information and analytics. Many assumptions have been made in connection with the calculations set forth in the table above and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. For example, for each hypothetical immediate shift in interest rates, assumptions have been made as to many important factors that can significantly and/or adversely affect the fair value of the instruments in our portfolio, including the response of mortgage prepayment rates, the shape of the yield curve, and market volatilities of interest rates. Furthermore, the fair value of each of the instruments comprising our portfolio is impacted by many other factors, each of which may or may not be correlated, or may only be loosely correlated, with interest rates. Depending on the nature of the instrument, these additional factors may include credit spreads, yield spreads, option-adjusted spreads, real estate prices, collateral adequacy, borrower creditworthiness, inflation, unemployment, general macroeconomic conditions, and other factors. For each instrument, our analysis makes many simplifying assumptions as to the response of these additional factors to shifts in interest rates, including that many if not most such factors are unaffected by such shifts.

The above analysis utilizes assumptions and estimates based on management's judgment and experience, and relies on financial models, which are inherently imperfect; in fact, different models can produce different results for the same instruments. While the table above reflects the estimated impacts of immediate parallel interest rate increases and decreases on specific categories of instruments in our portfolio, we actively trade many of the instruments in our portfolio, and therefore our current or future portfolios may have risks that differ significantly from those of our September 30, 2023March 31, 2024 portfolio estimated above. Moreover, the impact of changing interest rates on fair value can change significantly when interest rates change by a greater amount than the hypothetical shifts assumed above.

For all of the foregoing reasons and others, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual fair value of our portfolio that would differ from those presented above, and such differences might be significant and adverse. See "Business—"—Special Note Regarding Forward-Looking Statements."

Prepayment Risk

Prepayment risk is the risk of change, whether an increase or a decrease, in the rate at which principal is returned in respect to mortgage loans underlying of our RMBS and CLOs, including both through voluntary prepayments and by the underlying mortgage or corporate borrowers, through liquidations or other accelerations due to defaults and foreclosures. foreclosures, or through the optional redemptions of such securities by the issuers. Most significantly, our RMBS portfolio is exposed to the risk of changes in prepayment rates of the mortgage loans underlying our RMBS. This rate RMBS, and our CLO portfolio is exposed to the changes in prepayment rates of the underlying corporate loans. These prepayment is rates are affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Mortgage prepayment rates can be highly sensitive to changes in interest rates, but they are also affected by housing turnover, which can be driven by factors other than interest rates, including worker mobility and home price appreciation. Changes in prepayment rates will have varying effects on the different types of securities in our portfolio, and we attempt to take these effects into account in making asset management decisions. Increases in prepayment rates may cause us to experience both realized and unrealized losses on our interest-only securities, or "IOs," and inverse interest only securities, or "IIOs," as these securities are extremely sensitive to prepayment rates. Conversely, decreases in prepayment rates on our securities with below-market interest rates may cause the duration of such securities to extend, which may cause us to experience unrealized losses on such securities. Prepayment rates, besides being subject to interest rates and borrower behavior, are also substantially affected by government policy and regulation. For example, mortgage prepayment rates are generally lower in states with substantially higher mortgage recording taxes.

Credit Risk

We are subject to credit risk in connection with certain of our assets, especially our non-Agency RMBS and our corporate CLOs. Credit losses on real estate loans underlying our non-Agency RMBS can occur for many reasons, including, but not limited to, poor origination practices, fraud, faulty appraisals, documentation errors, poor underwriting, legal errors, poor servicing practices, weak economic conditions, decline in the value of homes, special hazards, earthquakes and other natural events, over-leveraging of the borrower on the property, reduction in market rents and occupancy rates and poor property management services in the case of rented homes, changes in legal protections for lenders, reduction in personal income, job loss, and personal events such as divorce or health problems. Property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional, and local economic conditions (which may be adversely affected by industry slowdowns and other factors), local real estate conditions (such as an oversupply of housing), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors, and retroactive changes to building or similar codes.

Credit losses can occur on our CLO investments. The corporate loans and other corporate credit assets underlying our CLO investments will typically be rated below investment grade and, as a result, involve greater credit and liquidity risk than investment grade corporate credit obligations and hence may carry a greater risk of default, especially during recessionary environments. These underlying assets will generally be floating rate in nature, and as a result, can suffer from weaker abilities to service debt costs in higher interest rate environments, increasing credit risks on the CLO investments.

While most of the assets underlying our CLO investments are expected to be senior secured and first lien in nature, CLOs also invest, in some cases, in subordinated obligations that do not have first priority claims in the event of a default by their related obligors. Our CLO investments will typically be in subordinated positions within the CLO capital structure with respect to realized losses, and the leveraged nature of the CLO vehicle amplifies the negative impact of any collateral losses.

For our non-Agency RMBS and other mortgage-related instruments with credit risk, the two primary components of such credit risk are default risk and severity risk.

Default Risk

Default risk is the risk that borrowers will fail to make principal and interest payments on a mortgage loan or other debt obligation. Subject to maintaining our qualification as a REIT and our exclusion from registration under the Investment Company Act, we may selectively attempt to mitigate our default risk by, among other things, opportunistically entering into credit default swaps. These instruments can reference various MBS indices, corporate bond indices, or corporate entities, such as publicly traded REITs. We also rely on third-party servicers to mitigate our default risk, but such third-party servicers may have little or no economic incentive to mitigate loan default rates.

Severity Risk

Severity risk is the risk of loss upon a borrower default on a mortgage loan underlying our RMBS or other secured or unsecured debt obligation. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the mortgage loan or debt obligation, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs. We rely on third-party servicers to mitigate our severity risk, but such third-party servicers may have little or no economic incentive to mitigate loan loss severities. Such mitigation efforts may include loan modification programs and prompt foreclosure and property liquidation following a default.

Liquidity Risk

To fund our assets we may use a variety of debt alternatives in addition to equity capital that present us with liquidity risks. Certain of our assets are long-term fixed-rate assets, and we believe that liquidity risk arises from these assets with shorter-term variable rate borrowings. We seek to manage these risks, including by maintaining a prudent level of leverage, implementing interest rate hedges, maintaining sources of long-term financing, monitoring our liquidity position on a daily basis, monitoring the ongoing financial stability and future business plans of our financing counterparties, and maintaining a reasonable cushion of cash and unpledged securities in our portfolio in order to meet future margin calls.

We pledge assets, including mortgage-backed securities, MBS and CLOs, as collateral to secure most of our financing arrangements. However, should the value of our collateral or the value of our derivative instruments suddenly decrease, or margin requirements increase, we may be required to post additional collateral for certain of these arrangements, causing an adverse change in our liquidity position. Furthermore, there is no assurance that we will always be able to renew (or roll) our short-term funding liabilities at their scheduled maturities, which could materially harm our liquidity position and result in substantial losses. In addition, in some cases our counterparties have the option to increase our haircuts (margin requirements) on the assets we pledge against our funding liabilities, thereby reducing the amount that can be borrowed against an asset even if they agree to renew or roll our funding liabilities. Significantly higher haircuts would require us to post additional collateral and could reduce our ability to leverage our portfolio or may even force us to sell assets, especially if correlated with asset price declines or faster prepayment rates on our assets.
Additionally, as a REIT, we are required to distribute a significant portion of our taxable income annually, which constrains our ability to accumulate operating cash flow and therefore may require us to utilize debt or equity capital to finance our business and, therefore, we are exposed to risks related to the equity capital markets, and our related ability to raise capital through the issuance of our common stock, preferred stock or other equity instruments. We seek to mitigate these risks by monitoring the equity capital markets to inform our decisions on the amount, timing, and terms of capital we raise.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act, of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) Act) as of September 30, 2023 March 31, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023 March 31, 2024.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and trustees; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

PART II

Item 1. Legal Proceedings

Neither we nor Ellington nor its affiliates (including our Manager) are currently subject to any legal proceedings that we or our Manager consider material. Nevertheless, we and Ellington and its affiliates operate in highly regulated markets that currently are under regulatory scrutiny, and over the years, Ellington and its affiliates have received, and we expect in the future that we and they may receive, inquiries and requests for documents and information from various federal, state and foreign regulators.

We and Ellington cannot provide any assurance that, whether the result of regulatory inquiries or otherwise, neither we nor Ellington nor its affiliates will become subject to investigations, enforcement actions, fines, penalties or the assertion of private litigation claims or that, if any such events were to occur, they would not materially adversely affect us. For a discussion of these and other related risks, see "Risk Factors—General Risk Factors—We, Ellington, or its affiliates may be subject to regulatory inquiries and proceedings, or other legal proceedings" included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "Form 10-K").

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition, and liquidity, see the risk factors discussed under "*Risk Factors*" in Part I, Item 1A of our Annual Report on Form 10-K. See also 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Committee on March 12, 2024 (the "Form 10-K"). There have been no material changes from these previously disclosed risk factors. Also see "*Special Note Regarding Forward-Looking Statements*," included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

In light Except as set forth below, as of the addition date of corporate CLOs this Quarterly Report on Form 10-Q, there have been no material changes to our targeted assets at the end of the third quarter of 2023 and subsequent to the filing of the Form 10-K, we are supplementing the risk factors discussed disclosed in the Form 10-K. The risks and uncertainties described below and in the Form 10-K are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance.

Risks Related to our CLO Investments

We are subject to risks associated with the following risk factors, which should be read loan accumulation facilities.

We may invest capital in conjunction with the risk factors contained in the Form 10-K.

Our investments in corporate CLOs involve certain risks.

Investments in corporate CLO securities involve certain risks. Corporate CLOs warehouse facilities, otherwise known as loan accumulation facilities, or "LAFs." LAFs are generally backed short- to medium- term financing facilities provided by the investment bank that will ultimately serve as the arranger on a pool of CLO transaction. Utilizing equity capital provided by the LAF investors and debt financing provided by the investment bank, LAFs acquire corporate loans or and other similar corporate credit-related assets that serve in anticipation of ultimately collateralizing a CLO transaction. This period of accumulating assets, often known as collateral. We and other investors in the "warehouse period," typically terminates when the CLO securities ultimately bear the credit risk of the underlying collateral. Most CLOs are issued in multiple tranches, offering investors vehicle issues various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their relative seniority and degree of risk. If the relevant collateral defaults or otherwise underperforms, payments to the more senior tranches of such securitizations take precedence over those of more junior tranches, such as mezzanine debt and equity tranches, which are securities to the focus of our market, using the issuance proceeds to repay the investment strategy. CLOs present bank financing. Investments in LAFs have risks similar to those applicable to investments in CLOs, and the risk of other types losses is magnified as a result of the leveraged and first-loss nature of these facilities. Further, in the event that the corporate credit investments, including assets accumulated by a LAF are not eligible for purchase by the planned CLO, or in the event that the planned CLO is not issued, the LAF investors may be responsible for either holding or disposing of said assets, exposing us to credit interest rate and prepayment risks.

The corporate loans that underlie our CLO investments and/or mark-to-market risk. This scenario may become nonperforming more likely in times of economic distress or impaired for when the loans comprising the collateral pool of such warehouse, even if still performing, may have declined materially in market value, and we may suffer a variety loss upon the disposition of reasons. Nonperforming or impaired loans may require substantial workout negotiations or restructurings that may result in significant delays in repayment, a significant reduction in the interest rate, and/or a significant write-down these assets. The occurrence of any of the principal of the loan. A wide range of factors foregoing or similar events could adversely affect the ability of an underlying corporate borrower to make interest or other payments on its loan. The corporate issuers of the loans or securities underlying our CLO investments may be subject to an increased risk of default depending on certain micro- or macro-economic conditions, such as economic recessions, heightened interest rates and/or inflation, in LAFs and, other conditions. Such defaults and losses, especially those in excess of the market's or our expectations, would have a negative impact on the fair value of our CLO investments, and reduce the cash flows that we receive from our CLO investments, which consequently, could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. stockholders.

In addition, if a CLO in which we invest experiences an event of default U.S. Federal Income Tax Risks

We are no longer taxed as a result REIT.

We have revoked our election to be taxed as a REIT effective as of failure to make a payment when due, erosion of the underlying collateral, or for other reasons, the CLO would January 1, 2024. Beginning January 1, 2024, we will be subject to the possibility of liquidation. In such cases, the risks are heightened that the collateral underlying the CLO may not be able to be readily liquidated, or that when liquidated, the resulting proceeds would be insufficient to redeem the CLO mezzanine debt and equity tranches that are the focus of our investment strategy. CLO equity tranches often suffer tax as a loss of all of their value in these circumstances, which could materially adversely affect our business, financial condition and results of operations, and our C corporation at regular corporate rates.

Our ability to pay dividends utilize our net operating losses ("NOLs") and other carryforwards may be limited.

Under the Code, a corporation is generally allowed a deduction for NOLs carried over from prior taxable years, subject to certain limitations. As of December 31, 2023, we had approximately $39 million of gross federal NOL carryforwards available to reduce future federal tax liabilities. We also have NOL carryforwards in certain states available to reduce future state tax liabilities. Our NOL carryforwards are subject to adjustment on audit by the Internal Revenue Service and applicable state taxing authorities.

Our ability to use our shareholders. Furthermore, following an event NOLs and other carryforwards depends on the amount of default by taxable income generated in future periods. Should we recognize a CLO, the holders of CLO mezzanine debt and equity tranches typically have limited rights regarding decisions made deferred tax asset with respect to the underlying collateral, with the result that such decisions might favor the more senior tranches of the CLO.

The underlying assets held by the CLOs in which we invest generally have lower credit ratings and are subject to significant credit risk.

The assets underlying our CLO investments are generally rated for creditworthiness by one or more nationally recognized statistical ratings organizations ("NRSROs"), including Moody's, Standard and Poor's, and Fitch. These assets generally consist of lower-rated first lien corporate loans, although certain CLO structures may also allow for limited exposure to other asset classes including unsecured loans, second lien loans, or corporate bonds.

Corporate issuers of lower-rated debt securities may be highly leveraged and may not have available to them more traditional methods of financing. During economic downturns or sustained periods of rising interest rates, issuers of lower-rated debt securities may be likely to experience financial stress, especially if such issuers are highly leveraged. In such periods, the market for lower-rated debt securities could be severely disrupted, adversely affecting the value of such securities, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. The risk of loss for lower-rated debt securities is also magnified to the extent that such securities are unsecured or subordinated to more senior creditors. Lower-rated debt securities generally have limited liquidity and limited secondary market support.

Second lien loans are secured by liens on the collateral securing the loan that are subordinated to the liens of at least one other class of obligations of the related obligor. Thus, the ability of the second lien debtholders to exercise remedies after a second lien loan becomes a defaulted obligation is subordinated to, and limited by, the rights of the senior creditors holding such other classes of obligations. In many circumstances, the second lien debtholders may be prevented from foreclosing on the collateral securing a second lien loan until the related first lien loan is paid in full. Moreover, any amounts that might be realized as a result of collection efforts or in connection with a bankruptcy or insolvency proceeding involving a second lien loan must generally be turned over to the first lien secured lender until the first lien secured lender has realized the full value of its own claims. In addition, certain second lien loans contain provisions requiring the related lien to be released in certain circumstances. These lien and payment obligation subordination provisions may materially and adversely affect the ability of the second lien debtholders to realize value from second lien loans.

In the event of a bankruptcy or insolvency of an issuer of a loan or of an underlying asset held by a CLO in which we invest, a court or other governmental entity may determine that the related claims held by such CLO are not valid, or are subject to significant modification. In addition, any payments previously received by such CLO could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year under U.S. Federal bankruptcy law or even longer under state laws) before insolvency.

The underlying assets in a CLO in which we are invested may be subject to various laws for the protection of debtors in other jurisdictions, including the jurisdiction of incorporation of the issuer or borrower of such underlying assets and, if different, the jurisdiction from which it conducts business and in which it holds assets, any of which may adversely affect such issuer's or borrower's ability to make, or a creditor's ability to enforce, payment in full, on a timely basis or at all. These insolvency considerations will differ depending on the jurisdiction in which an issuer or borrower or the related underlying assets are located and may differ depending on the legal status of the issuer or borrower.

Our CLO investments are exposed to changes in interest rates.

Even though we expect that most of our CLO mezzanine debt investments will have floating rate coupons, these and other of our CLO investments are still exposed to interest rate risk. There can be significant mismatches between the timing and frequency of coupon resets on the floating rate CLO debt tranches and the underlying floating rate corporate loans, and furthermore some of the underlying corporate loans may bear fixed coupon rates. When interest rates are low but increasing, variations between interest rate floors on the CLO debt tranches and the underlying corporate loans can reduce the amount of excess interest available for payment to the CLO debt and equity tranches. This reduction in excess interest could adversely impact our CLO equity cashflows and valuations, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

Our corporate CLO investments may include "middle market" and/or "covenant-lite" loans.

The underlying collateral of the corporate CLO securities in which we invest may include loans to smaller companies, or "middle market" loans, which may carry more inherent risks than loans to larger, publicly traded entities. Compared to larger companies, these middle-market companies tend to have more limited access to capital, weaker financial positions, narrower product lines, and tend to be more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. As a result, the securities issued by CLOs that hold significant investments in middle-market loans are generally considered riskier than securities issued by CLOs that primarily invest in broadly syndicated loans.

In addition, "covenant-lite" loans may comprise a significant portion of the underlying collateral of the CLOs in which we invest. Generally, covenant-lite loans provide the obligor with more freedom to take actions that could negatively impact their lenders because the obligor's covenants are incurrence-based and not maintenance-based, which means that they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower's financial condition. At times, covenant-lite loans have represented a significant majority of the market. To the extent that the corporate CLO securities in which we invest hold covenant-lite loans, we may have a greater risk of loss on such investments as compared to investments in CLOs holding loans with more robust covenants.

The CLOs in which we invest are subject to risks associated with loan participations.

The CLOs in which we invest may acquire interests in corporate loans indirectly, by way of participations. In a participation, the underlying debt obligation remains with the institution that has sold us the participation, which typically results in a contractual relationship only with such selling institution, and not with the corporate obligor directly. As a result, the holder of a participation assumes the credit risk of both the obligor and the selling institution, and may only have limited rights to influence any decisions made by the selling institution in connection with the underlying debt obligation.

Our investments in the primary corporate CLO market involve certain additional risks.

Between the pricing date and the closing date of a corporate CLO, the collateral manager generally purchases additional assets for the CLO. During this period, the price and availability of these assets may be adversely affected by a number of market factors, including price volatility and availability of investments suitable for the CLO, which could hamper the ability of the collateral manager to acquire a portfolio of assets that will satisfy specified concentration limitations and allow the CLO to reach the target initial principal amount of collateral prior to the effective date. An inability or delay in reaching the target initial principal amount of collateral may adversely affect the timing and amount of payments received by the holders of CLO mezzanine debt securities and equity securities and could result in early redemptions which could cause significant principal losses on the CLO mezzanine debt and equity securities, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

We and our investments are subject to prepayment and reinvestment risk.

As part of the ordinary management of its portfolio, a CLO will typically generate cash flow from asset repayments and sales that is reinvested into substitute assets, subject to compliance with its investment tests and certain other conditions. If the CLO collateral manager causes the CLO to purchase substitute assets at a lower yield than those initially acquired, the excess interest-related cash flow available for distribution to the CLO equity tranches would decline. In addition, prepayment rates of the assets underlying a CLO are driven by a number of factors, including changing interest rates and other factors that are beyond our control. Furthermore, in most CLO transactions, CLO debt investors are subject to the risk that the holders of a majority of the equity tranche can direct a call or refinancing of a CLO, causing such CLO's outstanding CLO debt securities to be repaid at par earlier than expected. This and other factors can cause considerable uncertainty in the average lives of the CLO tranches in which we invest.

Our portfolio of corporate CLO investments may lack diversification, which may subject us to a risk of significant loss if one or more of these corporate CLOs experience a high level of defaults on collateral.

Because we do not have fixed guidelines for diversification, we do not have any limitations on the ability to invest in any one CLO, and our investments may be concentrated in relatively few CLOs, CLOs that have similar risk profiles (including by being concentrated in a limited number of industries), CLOs where there is an overlap of underlying corporate issuers or CLOs that are managed by the same collateral manager. The overlap of underlying corporate issuers is often more prevalent across CLOs of the same year of origination, as well as across CLOs managed by the same asset manager or collateral manager.

To the extent that our CLO investments are less diversified, we are susceptible to a greater risk of loss if one or more of the CLOs in which we are invested performs poorly, or in the event a CLO collateral manager were to fail, experience the loss of key employees or sell its business. To the extent we invest in CLOs that have a high level of overlap of underlying corporate obligors, there is a greater likelihood of experiencing multiple defaults in our CLO portfolio, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

Failure by a CLO to satisfy certain tests, including as a result of loan defaults and/or negative loan ratings migration, may place pressure on the performance of our investments in such CLO.

The failure by a CLO in which we invest to satisfy certain tests, including with respect to adequate collateralization and/or interest coverage, would generally lead to a reduction in the payments made to holders of its mezzanine debt and equity tranches. In a typical corporate CLO, nonperforming assets, or performing assets rated "CCC+" or lower (or their equivalent) in excess of applicable limits, typically do not receive full par credit for purposes of calculation of the CLO's overcollateralization tests. As a result, if an asset were to default, or an asset's credit rating were to decrease to a lower credit rating level, also known as "negative rating migration," it could cause a CLO to move out of compliance with some or all of its overcollateralization tests. CLOs are also generally subject to interest coverage tests, under each of which the interest income generated by the underlying assets is compared to the interest owed to a given CLO tranche and all tranches more senior to it. To the extent that any overcollateralization tests or interest coverage tests are breached, cash flows could be diverted away from the CLO mezzanine debt and equity tranches in favor of the more senior CLO debt tranches until and unless such breaches are cured, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

Our CLO debt investments are subject to credit rating changes.

Our investments in CLO debt tranches are subject to credit rating upgrades or downgrades by the NRSROs. Ratings downgrades on our CLO debt investments may result in our investments being viewed as riskier than they were previously thought to be. This perception of increased riskiness resulting from a downgrade can result in adverse impacts to the market value and liquidity of our CLO debt investments, as well as reduce the availability or increase the cost of repo financing for our CLO debt investments.

CLO investments involve complex documentation.

CLOs are often governed by a complex series of legal documents and contracts. As a result, the risk of dispute over the interpretation or enforceability of the documentation may be higher relative to other types of investments. Further, the complex structure of a particular security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

We are dependent on the collateral managers of the corporate CLOs in which we invest, and those corporate CLOs are generally not registered under the Investment Company Act.

We invest in CLO securities issued by CLOs that are managed by collateral managers unaffiliated with us, and we are dependent on the skill and expertise of such managers. While the actions of the CLO collateral managers may significantly affect the return on our investments, we typically do not have any direct contractual relationship with these collateral managers.

While we also rely on these collateral managers to act in the best interests of the CLOs in which we invest, NOLs, there can be no assurance that such collateral managers a valuation allowance will do so. Moreover, such collateral managers are subject not be required with respect to fiduciary duties owed to other classes of notes besides those our NOLs should our financial performance be negatively impacted in which we invest, and they may have other incentives to manage the CLO portfolios in a manner that disadvantages the particular classes of notes in which we are invested. Furthermore, since the CLO issuer often provides an indemnity to its collateral manager, the CLO tranches we hold may ultimately bear the burden of any legal claims brought against the collateral manager, including any legal claims brought by us.

future. In addition, the CLOs in use of NOLs and other carryforwards to offset taxable income is subject to various limitations, which could limit our ability to utilize these tax attributes to reduce our taxes even if we invest are generally not registered as investment companies generate sufficient taxable income. For example, federal NOLs can be used to offset only 80% of our federal taxable income for any taxable year, and Connecticut NOLs can be used to offset only 50% of our Connecticut taxable income for any taxable year.

A corporation's ability to deduct its federal NOL carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code ("Section 382") if it undergoes an "ownership change" as defined in Section 382. In general, an "ownership change" occurs if 5% shareholders increase their collective ownership of the aggregate amount of the outstanding shares of our company by more than 50 percentage points looking back over the relevant testing period. If an ownership change occurs, our ability to use our NOL carryforwards and other tax attributes to reduce our taxable income in a future year would be limited to a Section 382 limitation equal to the fair market value of our common shares immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate in effect for the month of the ownership change. An ownership change may severely limit or effectively eliminate our ability to utilize our NOL carryforwards and other tax attributes. Although we do not believe that an ownership change has occurred, no assurance can be provided as to whether an ownership change has occurred or will occur in the future. Limitations imposed by Sections 382 may discourage us from, among other things, repurchasing our common shares or issuing additional common shares to acquire businesses or assets. We have entered into a Rights Agreement with Equiniti Trust Company, LLC, dated as of April 23, 2024 (the "Rights Agreement") designed to preserve shareholder value and the value of certain tax assets primarily associated with NOL carryforwards under Section 382 of the Code. See "The Rights Agreement that we entered into to protect our tax attributes could hinder the market for our Common Shares."

Risks Related to Our Intention To Convert to a Registered Closed End Fund / Regulated Investment Company Act. As investors in these CLOs, we are not afforded the protections that shareholders in an investment company registered under the Investment Company Act would have. ("RIC")

We may only not be able to obtain the necessary approvals to convert to a registered closed end fund to be treated as a RIC.

On April 1, 2024, we announced our intention to focus our investment strategy on CLOs. In connection with this strategic transition, we have limited information regarding revoked our REIT election effective as of January 1, 2024 and intend to convert to a registered closed end fund to be treated as a RIC later in 2024 (the "RIC Conversion"). Our ability to complete the underlying assets held by RIC Conversion will be subject to certain conditions, including obtaining the CLOs in which we invest, and collateral managers may not identify or report issues relating required approval of our shareholders for certain matters related to the underlying assets on RIC Conversion. There can be no assurance that the conditions to the RIC Conversion will be satisfied in a timely basis (or manner or at all) all, or that an effect, event, circumstance, occurrence, development or change will not transpire that could delay or prevent these conditions from being satisfied. Accordingly, we cannot provide any assurances with respect to enable us to take appropriate measures to manage our risks. Further, none the timing of the information contained in certain monthly reports nor any other financial information furnished RIC Conversion or whether the RIC Conversion will be completed at all.

General Risk Factors

Future offerings of debt securities, which would rank senior to us as an investor in a corporate CLO is audited our common shares upon our bankruptcy liquidation, and or reviewed, nor is an opinion expressed, by an independent public accountant.

Collateral managers are subject to removal or replacement by other holders future offerings of CLO equity securities without which could dilute the common share holdings of our consent existing shareholders and may also voluntarily resign as collateral manager or assign their role as collateral manager be senior to another entity. The removal, replacement, resignation, or assignment our common shares for the purposes of any particular CLO manager's role could dividend and liquidating distributions, may adversely affect the returns market price of our common shares.

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities, including through the Rights Agreement. Upon bankruptcy or liquidation, holders of our debt securities and preferred shares, if any, and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common shares. Our preferred shares, if issued, could have a preference on the CLO securities in which we invest, which liquidating distributions or a preference on dividend payments or both that could materially adversely affect our business, financial condition and results of operations, and limit our ability to pay dividends a dividend or other distribution to the holders of our shareholders. common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common shares bear the risk of our future offerings, including through the Rights Agreement, reducing the market price of our common shares and diluting their share holdings in us.

Our CLO investments often have limited liquidity.

We expect to focus Future sales of our CLO investment activity in mezzanine debt and equity tranches, which have less liquidity than many common shares or other securities including as a convertible into our common shares could cause the market value of our common shares to decline and could result in dilution of lower trading volumes, transfer restrictions, and their bespoke nature. This illiquidity results in your shares.

Sales of substantial amounts of our common shares or other securities convertible into our common shares could cause the market price volatility and can make it more difficult of our common shares to value decrease significantly. We cannot predict the effect, if any, of future sales of our common shares or sell these other securities if convertible into our common shares, or the need arises, which could require us to realize a greater loss if we are ever required to liquidate availability of such assets, which could materially adversely affect securities for future sales, on the market price of our business, financial condition and results common shares. Sales of operations, and substantial amounts of our ability to pay dividends to our shareholders. common shares or other securities convertible into

The CLOs our common shares, or the perception that such sales could occur, may adversely affect prevailing market values for our common shares.

Further, as discussed elsewhere herein, we adopted the Rights Agreement in which we invest incur significant operating expenses. order to preserve our NOL carryforwards. If the Rights under the Rights Agreement become exercisable, investor's interests in our common shares may be diluted, though the intent of the Rights Agreement is to only dilute the interests of the Acquiring Person (as defined herein).

The CLOs in which Rights Agreement that we invest incur significant operating expenses, including but not limited entered into to collateral management fees, administrative expenses, and other operating expenses. As protect our tax attributes could hinder the most subordinated tranche, the CLO equity tranche typically bears the primary burden of these expenses, although such expenses can also be borne by mezzanine debt tranches to the extent that the CLO equity tranche suffers a total principal loss. market for our Common Shares.

We and our corporate CLO investments are subject have entered into the Rights Agreement, which is designed to risks associated with non-U.S. investing, including in some cases foreign currency risk.

While we invest primarily in CLOs that hold underlying U.S. assets, we may also invest in corporate CLOs that hold non-U.S. assets, preserve shareholder value and we expect that many of the CLO issuers in which we invest will be domiciled outside the United States. Investing directly or indirectly in non-U.S. issuers may expose us to additional risks, including political and social instability, expropriation, imposition of foreign taxes, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, currency fluctuations and greater price volatility. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor's rights in foreign jurisdictions.

A portion of our CLO investments (and the income and gains received by us in respect of such investments) may be denominated in currencies other than the U.S. dollar. Accordingly, changes in foreign currency exchange rates may materially adversely affect the value of these investments.

Our investments in corporate CLOs may result in our recognizing taxable income prior to receiving cash distributions related to such income.

The certain tax implications assets primarily associated with NOL carryforwards and built-in losses under Section 382 of the corporate CLOs in which we invest are complex and, in some circumstances, unclear. In particular, we may recognize taxable income on certain Code. The Rights Agreement is intended to act as a deterrent to any person or group acquiring 4.9% or more of our CLO investments without the concurrent receipt of cash.

CLOs in which we invest could become subject to U.S. federal income tax or withholding requirements.

The CLO issuers in which we invest will generally operate pursuant to investment guidelines intended to ensure that the CLO is not treated for U.S. federal income tax purposes as engaged in a U.S. trade or business. If a CLO issuer fails to comply with the investment guidelines, or if the Internal Revenue Service otherwise successfully asserts that the CLO should be treated as engaged in a U.S. trade or business, outstanding Common Shares (any such CLO could be subject to U.S. federal income tax, which could reduce the amount available to distribute to mezzanine debt and equity holders in such CLO, including us.

The U.S. Foreign Account Tax Compliance Act provisions of the Code impose a withholding tax of 30% on certain U.S. source periodic payments, including interest and dividends, to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its U.S. account holders and its U.S. owners. Most CLOs in which we invest will be treated as non-U.S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, certain payments received by such CLO may be subject to the 30% withholding tax, which could reduce the amount available to distribute to equity and mezzanine debt holders in such CLO, including us.

Our manager has significant latitude in determining the types of assets we acquire, and there is no specific prohibition in our investment strategy, investment guidelines and/or the REIT qualification requirements against investing in corporate CLOs or other corporate investments.

To maintain our qualification as a REIT and avoid being treated as person an investment company under the Investment Company Act, we are subject to various requirements and tests that impose limits on our investment strategy. However, neither the broad investment guidelines in our management agreement, the REIT qualification requirements, nor the Investment Company Act impose any specific limits on, or prohibitions against, investing our capital in corporate CLOs or other corporate investments. Under the terms of our management agreement, our Manager has significant latitude within our broad investment guidelines in determining the types of assets it may acquire. Our Board of Trustees generally does not review individual acquisitions, dispositions, or many other management decisions. That said, our investments in CLOs generally will not be qualifying assets for purposes of the REIT 75% asset test and generally will not produce qualifying income for purposes of the REIT 75% gross income test. As a result, maintaining our qualification as a REIT will require that we limit the size of our CLO investment portfolio, and our Manager may, in the course of investing in CLO investments, utilize certain capital structures and subsidiary structures that give it more flexibility under the relevant REIT tests and Investment Company Act tests.

In addition, our declaration of trust provides that our Board of Trustees may authorize us to revoke or otherwise terminate our REIT election, "Acquiring Person"), without the approval of our shareholders, if it determines that it is no longer in our best interests to qualify as a REIT. See "We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation,

operational, and management policies without notice or shareholder consent, which may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. In addition, our declaration of trust provides that our Board of Trustees, may authorize us to revoke or otherwise terminate our REIT election without until the approval expiration of our shareholders" and "–Our the Rights Agreement.

In connection therewith, the Board of Trustees declared a dividend of one preferred share purchase right declared a dividend of one preferred share purchase right (a "Right") for each of our outstanding common shares. The dividend was payable to shareholders of record as of the close of business on April 23, 2024. Subject to the terms, provisions and conditions of the Rights Agreement, if the Rights become exercisable, each Right would initially represent the right to purchase from us one ten-thousandth of a Series A Junior Preferred Share for a purchase price of $40.00, subject to adjustment in accordance with the terms of the Rights Agreement (the "Purchase Price"). If issued, each fractional preferred share would give the shareholder approximately the same dividend, voting and liquidation rights as does one Common Share. However, prior to exercise, a Right does not give its holder any rights as a shareholder, including without limitation any dividend, voting or liquidation rights.

In the event that any person becomes an Acquiring Person, each holder of a Right shall thereafter have the right to receive, upon exercise thereof at a price equal to the then-current Purchase Price, in accordance with the terms of the Rights Agreement and in lieu of Preferred Shares, such number of Common Shares (or at our option, such number of one ten-thousandths of a Preferred Share) as shall equal the result obtained by (x) multiplying the then-current Purchase Price by the number of one ten-thousandths of a Preferred

Share for which a Right is then exercisable and dividing that product by (y) 50% of the current per share market price of the Common Shares (determined pursuant to the Rights Agreement) on the date of the occurrence of such event; provided, however, that the Purchase Price (as so adjusted) and the number of Common Shares so receivable upon exercise of a Right shall thereafter be subject to further adjustment as appropriate in accordance with the Rights Agreement. The Rights will generally not be exercisable until the earlier of (i) 10 business days after a public announcement by us that a person or group has approved very broad investment guidelines become an Acquiring Person and (ii) 10 business days after the commencement of a tender or exchange offer by a person or group for 4.9% or more of the outstanding Common Shares. However, prior to exercise, a Right does not give its holder any rights as a shareholder, including without limitation, any dividend, voting or liquidation rights.

Although the Rights Agreement is intended to prevent an "ownership change" as defined by Section 382 of the Code, we cannot provide any assurance that we will not experience such an ownership change or that we will otherwise be able to use, in full or in part, our NOLs. Additionally, the Rights Agreement may make our Common Shares less attractive to large institutional holders, discourage potential acquirers from attempting to take over our company, limit the price that investors might be willing to pay for our Manager Common Shares and will not approve each decision made by otherwise hinder the market for our Manager to acquire, dispose of, or otherwise manage an asset" in the Form 10-K.

Common Shares.

Item 6. Exhibits and Financial Statement Schedules

Exhibit	Description
3.1	Articles Supplementary, dated April 23, 2024, to the Company's Declaration of Trust creating a new series of Preferred Shares designated as Series A Junior Preferred Shares(incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the SEC on April 23, 2024).
3.2	Articles of Amendment, dated April 18, 2024, to the Company's Declaration of Trust amending the name of the Company (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the SEC on April 18, 2024).
3.3	Third Amended and Restated Bylaws of Ellington Credit Company (incorporated by reference to Exhibit 3.2 to the Company's current report on Form 8-K filed with the SEC on April 18, 2024).
4.1	Rights Agreement, dated as of April 23, 2024, by and between Ellington Credit Company and Equiniti Trust Company, LLC, as rights agent (incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K filed with the SEC on April 23, 2024).
10.1	Amendment No. 1 to the Fifth Amended and Restated Management Agreement, dated as of April 1, 2024, by and between Ellington Residential Mortgage REIT, a Maryland real estate investment trust, and Ellington Residential Mortgage Management LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the SEC on April 1, 2024).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith. These certifications are not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY

Date: November 14, 2023 May 15, 2024

By: /s/ LAURENCE PENN

Laurence Penn
Chief Executive Officer
(Principal Executive Officer)

ELLINGTON RESIDENTIAL MORTGAGE REIT CREDIT COMPANY

Date: November 14, 2023 May 15, 2024

By: /s/ CHRIS SMERNOFF

Christopher Smernoff
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Laurence Penn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ellington Residential Mortgage REIT Credit Company (the "registrant") for the period ended September 30, 2023 March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023 May 15, 2024

/s/ Laurence Penn

Laurence Penn
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher Smernoff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ellington Residential Mortgage REIT Credit Company (the "registrant") for the period ended September 30, 2023 March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023 May 15, 2024

/s/ Christopher Smernoff

Christopher Smernoff
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ellington Residential Mortgage REIT Credit Company (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laurence Penn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 15, 2024

/s/ Laurence Penn

Laurence Penn
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ellington Residential Mortgage REIT Credit Company (the “Company”) on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher Smernoff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 15, 2024

/s/ Christopher Smernoff

Christopher Smernoff
Chief Financial Officer
(Principal Financial and Accounting Officer)

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