



AG
MORTGAGE
Investment Trust, Inc.

AG Mortgage Investment Trust, Inc.

Q4 2020 Earnings Presentation

February 19, 2021

Forward Looking Statements and Non-GAAP Financial Information

Forward Looking Statements: This presentation includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 related to dividends, book value, our investments, our business and investment strategy, investment returns, return on equity, liquidity, financing, taxes, our assets, our interest rate sensitivity, and our views on certain macroeconomic trends and conditions, among others. Forward-looking statements are based on estimates, projections, beliefs and assumptions of management of our Company at the time of such statements and are not guarantees of future performance. Forward-looking statements involve risks and uncertainties in predicting future results and conditions. Actual results could differ materially from those projected in these forward-looking statements due to a variety of factors, including, without limitation, the uncertainty and economic impact of the COVID-19 pandemic and of responsive measures implemented by various governmental authorities, businesses and other third parties; changes in our business and investment strategy; our ability to predict and control costs; changes in interest rates and the fair value of our assets, including negative changes resulting in margin calls relating to the financing of our assets; changes in the yield curve; changes in prepayment rates on the loans we own or that underlie our investment securities; increased rates of default or delinquencies and/or decreased recovery rates on our assets; our ability to obtain and maintain financing arrangements on terms favorable to us or at all; changes in general economic conditions in our industry and in the finance and real estate markets, including the impact on the value of our assets; conditions in the market for Agency RMBS, Residential Investments and Commercial Investments; legislative and regulatory actions by the U.S. Department of the Treasury, the Federal Reserve and other agencies and instrumentalities in response to the economic effects of the COVID-19 pandemic; how COVID-19 may affect us, our operations and personnel; the forbearance program included in the Coronavirus Aid, Relief, and Economic Security Act; our ability to make distributions to our stockholders in the future; our ability to maintain our qualification as a REIT for federal tax purposes; and our ability to qualify for an exemption from registration under the Investment Company Act of 1940, as amended.

Additional information concerning these and other risk factors are contained in our filings with the Securities and Exchange Commission ("SEC"), including our most recent Annual Report on Form 10-K and subsequent filings, including our quarterly reports on Form 10-Q and our Current Reports on Form 8-K. Copies are available free of charge on the SEC's website, <http://www.sec.gov/>. All information in this presentation is as of February 19, 2021. We undertake no duty to update any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

Non-GAAP Financial Information: In addition to the results presented in accordance with GAAP, this presentation includes certain non-GAAP financial results and financial metrics derived therefrom, including Core Earnings, investment portfolio, financing arrangements, and economic leverage ratio, which are calculated by including or excluding amortization, unconsolidated investments in affiliates, or, with respect to our equity allocation calculation, by allocating all non-investment portfolio related assets and liabilities to our investment portfolio categories based on the characteristics of such assets and liabilities, as described in the footnotes to this presentation. Our management team believes that this non-GAAP financial information, when considered with our GAAP financials, provides supplemental information useful for investors as it enables them to evaluate our current core performance using the same metrics that management uses to operate the business. Our presentation of non-GAAP financial information may not be comparable to similarly-titled measures of other companies, who may use different calculations. This non-GAAP financial information should not be considered a substitute for, or superior to, the financial measures calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated.

Q4 2020 MITT Earnings Call Presenters

AG

David Roberts
Chief Executive Officer

T.J. Durkin
Chief Investment Officer

Anthony Rossiello
Chief Financial Officer

Q4 2020 Performance and Highlights



- \$1.16 of Net Income per diluted common share¹ for Q4 2020, as compared to \$0.44 for Q3 2020
- \$0.22 of Core Earnings per share² for Q4 2020
- \$4.13 Book Value per share and \$3.94 Adjusted Book Value per share as of December 31, 2020 as compared to \$3.34 and \$3.08 as of September 30, 2020, respectively¹
 - Adjusted Book Value gives effect to the liquidation preference of our preferred stock which does not reflect underwriting discounts and offering expenses incurred at issuance
 - Increase from September 30, 2020 primarily due to mark-to-market gains on our Credit Investments and income generated at Arc Home
- Fourth Quarter Capital Activity
 - Reinstated common dividend by declaring \$0.03 per share paid in January 2021
 - Declared and paid \$14.9 million of accrued and unpaid preferred dividends during the quarter
 - Redeemed 1.3 million shares of preferred stock in exchange for 4.6 million shares of common stock and \$8.0 million of cash in two separate privately negotiated exchange offers
 - Utilized ATM program to raise approximately \$2.4 million in net proceeds through issuance of approximately 0.7 million shares of common stock
- Transactions Subsequent to Quarter End
 - Sold two commercial real estate loans in February for total proceeds of \$74.5 million, releasing unfunded commitments of approximately \$28.8 million as of December 31, 2020
 - Purchased \$322.8 million of 2.0% and 2.5% fixed rate agency whole pools
 - Purchased or entered into agreements to purchase \$73.4 million of Non-QM Loans, \$27.8 million of which were sourced from Arc Home

Portfolio Update



Fourth Quarter Portfolio Update

- \$1.4 billion Investment Portfolio and 1.5x Economic Leverage Ratio as of December 31, 2020, as compared to \$1.1 billion and 0.9x, respectively, as of September 30, 2020^{3,4,5}
 - Investment portfolio and leverage increase driven by Agency RMBS purchases during the fourth quarter
- \$580.1 million of MTM recourse financing and \$466.3 million of non-MTM non-recourse financing as of December 31, 2020, as compared to \$242.8 million and \$476.0 million, respectively, as of September 30, 2020^(a)
 - At December 31, 2020, MITT had total liquidity of \$54.2 million inclusive of \$47.9 million of cash and \$6.3 million of unencumbered agency fixed rate securities, as compared to total liquidity of \$82.4 million as of September 30, 2020

January Portfolio Update

- As of January 31, 2021, we had an investment portfolio of approximately \$1.6 billion, consisting of approximately 44% Agency RMBS, 44% Residential Investments, and 12% Commercial Investments
- As of January 31, 2021, our MTM recourse financing and Economic Leverage Ratio increased to approximately \$0.9 billion and 2.2x,⁵ respectively
- Book Value per share and Adjusted Book Value per share as of January 31, 2021 are estimated to be in the range of \$4.35 to \$4.45 and \$4.15 to \$4.25, respectively¹

	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020
Yield on Investment Portfolio⁷	4.8%	6.0%	6.5%	5.3%	4.4%
Cost of Funds⁸	2.3%	3.3%	3.8%	3.0%	2.1%
Net Interest Margin⁶	2.5%	2.7%	2.7%	2.3%	2.3%
Economic Leverage Ratio⁵	4.1x	3.3x	0.8x	0.9x	1.5x

Note: Cost of funds and net interest margin shown include the costs or benefits of any interest rate hedges.

(a) As of December 31, 2020, total financing of \$1.0 billion includes financing arrangements of \$680.8 million, collateralized by various asset types in our investment portfolio; securitized debt of \$355.2 million, collateralized by Re/Non-Performing Loans; and a secured loan from the Manager of \$10.4 million. As of September 30, 2020, total financing of \$718.8 million includes financing arrangements of \$349.5 million, securitized debt of \$359.0 million, and a secured loan from the Manager of \$10.3 million.⁴

Arc Home Update



- MITT, alongside other Angelo Gordon funds, owns Arc Home,¹¹ a licensed mortgage originator. MITT indirectly owns approximately 44.6% of Arc Home
- Arc Home achieved 136% growth in origination volume in 2020
- Arc Home generated net income of \$49.2 million in 2020 and \$20.7 million in the fourth quarter
 - Resulted in net income of \$10.4 million for MITT in the fourth quarter
- Angelo Gordon's investment in Arc Home generated \$14.5 million of liquidity, of which \$6.5 million was distributed to MITT
- The table below provides a summary of Arc Home's performance throughout 2020 compared to 2019:

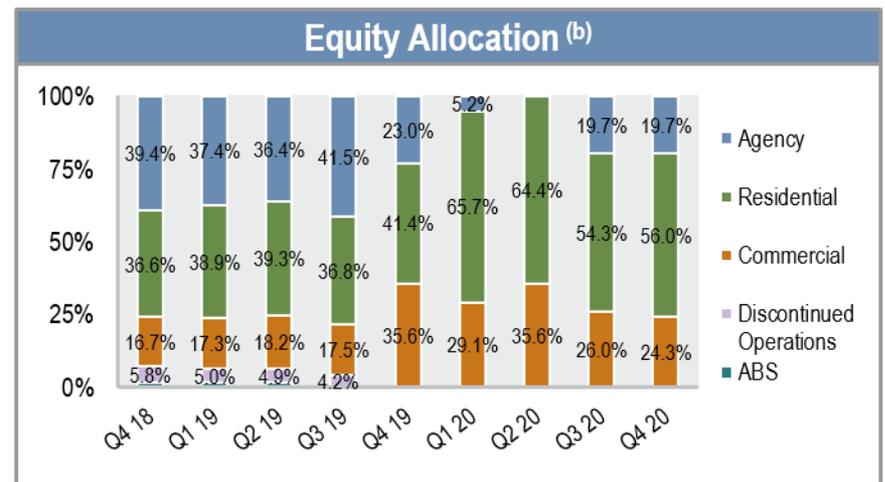
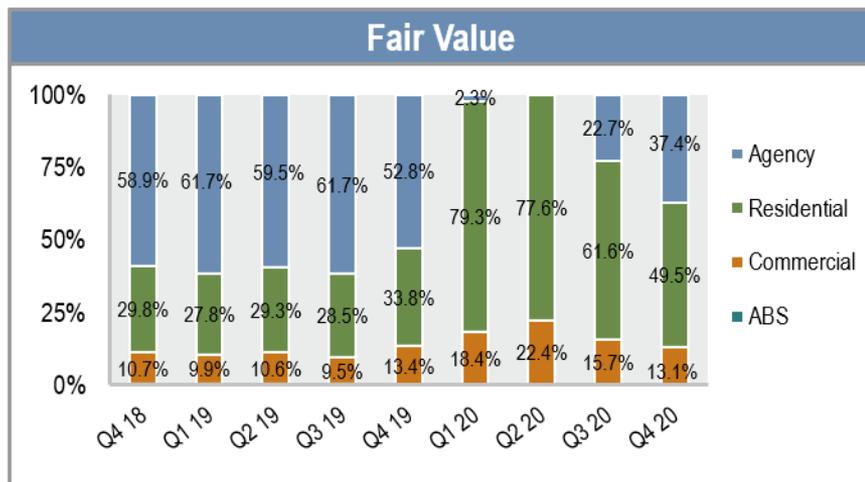
	2019 FY	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 FY
Origination Volume						
Lock Dollars \$B	\$2.2	\$0.9	\$1.4	\$1.6	\$1.4	\$5.3
Funding Dollars \$B	\$1.6	\$0.4	\$0.9	\$1.3	\$1.2	\$3.8
Funding by Channel ^(a)						
Retail/Direct	20.7%	37.2%	35.8%	32.5%	27.0%	32.0%
Wholesale	34.1%	34.7%	35.2%	34.3%	38.7%	35.9%
Correspondent	45.2%	28.1%	29.0%	33.2%	34.3%	32.0%
Funding by Product ^(a)						
Conventional	62.7%	58.3%	84.8%	84.7%	78.6%	79.8%
Government	34.5%	22.8%	15.0%	14.7%	13.9%	15.4%
Non-Agency	2.8%	18.9%	0.2%	0.6%	7.5%	4.8%
Gain on Sale Margin	145bps	(8bps)	337bps	356bps	353bps	310bps

^(a) Represents the weighted average based on quarterly funding dollars for 2019 and 2020

Q4 2020 Investment Portfolio Composition^{3,4}



	Fair Value (mm)	Percent of Fair Value	Allocated Equity (mm) ⁹	Percent of Equity
Agency RMBS ^(a)	\$521.8	37.4%	\$80.9	19.7%
Residential Investments ^(a)	691.5	49.5%	229.2	56.0%
Commercial Investments	182.3	13.1%	99.6	24.3%
Total Investment Portfolio	\$1,395.6	100.0%	\$409.7	100.0%



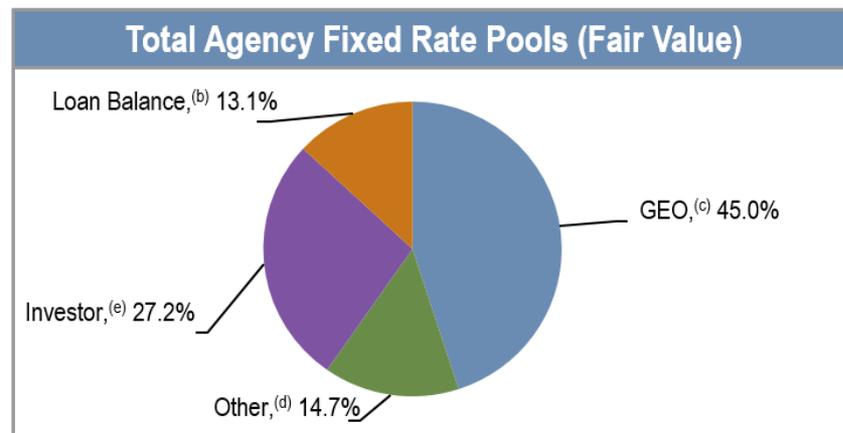
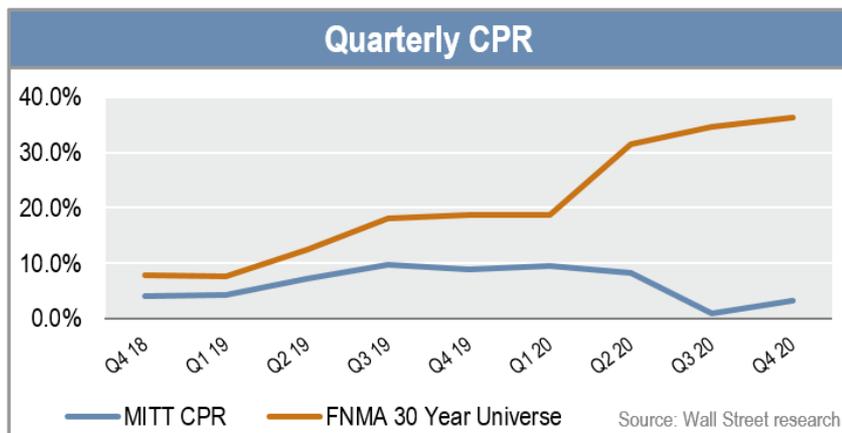
(a) As of December 31, 2020, the table above includes fair value of \$0.4 million of Agency RMBS and \$217.5 million of Residential Investments that are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheet.

(b) The single-family rental properties portfolio has been reflected as discontinued operations; amounts presented represent continuing operations and exclude SFR with the exception of our equity allocation. Prior period amounts have been reclassified to conform with this presentation.

Q4 2020 Agency Portfolio Details



Description	Fair Value (mm)	Weighted Average Yield ⁷	Percent of Agency Portfolio Fair Value	Percent of Investment Portfolio Fair Value
30 Year Fixed Rate	\$518.3	1.2%	99.3%	37.1%
Excess MSR's	3.5	3.8%	0.7%	0.3%
Total Agency RMBS^(a)	\$521.8	1.2%	100.0%	37.4%



- 3.3% constant prepayment rate (“CPR”) on the Agency RMBS investment portfolio for Q4 2020.
- Reduced prepayment speeds are representative of low coupon, new origination collateral characteristics.

(a) The total funding cost and net interest margin for Agency RMBS is 0.2% and 1.0%, respectively.

(b) Loan Balance: Pools made up of loans with original balances less than \$200,000.

(c) Geography: Pools made up of loans originated in states that offer favorable prepayment profiles.

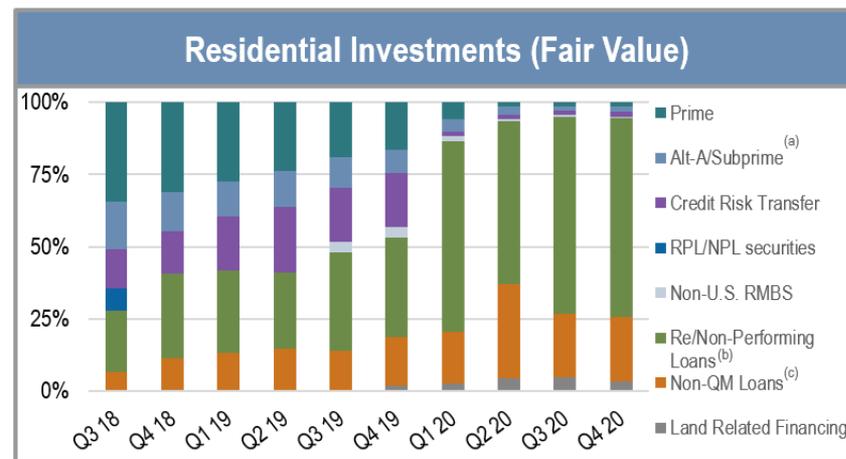
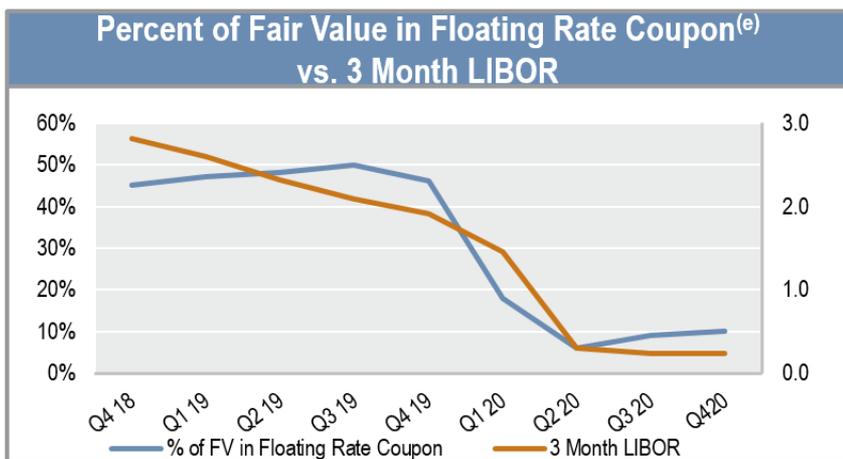
(d) Other: Pools made up of newly originated loans, loans on investor properties, loans with higher LTVs or loans taken out by borrowers with lower than average FICOs.

(e) Investor: Pools made up of loans on non-owner occupied properties or investment properties.

Q4 2020 Residential Portfolio Details



Description	Fair Value (mm)	Weighted Average Yield ⁷	Percent of Residential Portfolio Fair Value	Percent of Investment Portfolio Fair Value
Prime	\$8.7	9.0%	1.3%	0.6%
Alt-A/Subprime ^(a)	11.8	12.3%	1.7%	0.8%
Credit Risk Transfer	13.3	4.7%	1.9%	1.0%
Non-U.S. RMBS	3.1	6.4%	0.4%	0.2%
Re/Non-Performing Loans ^(b)	478.6	6.5%	69.2%	34.3%
Non-QM Loans ^(c)	153.2	5.0%	22.2%	11.0%
Land Related Financing	22.8	14.6%	3.3%	1.6%
Total Residential Investments^(d)	\$691.5	6.5%	100.0%	49.5%



- 90% of our Residential Investments^(e) are fixed rate coupon and 10% are floating rate coupon¹⁰

(a) Comprised of Alt-A/Subprime and RMBS Interest Only.

(b) Consolidated whole loan positions as well as whole loans purchased from an affiliate or affiliates of our Manager in securitized form.

(c) Non-qualifying mortgage loan positions as well as those held in securitized form recorded within the "Investments in debt and equity of affiliates" line item on our consolidated balance sheet.

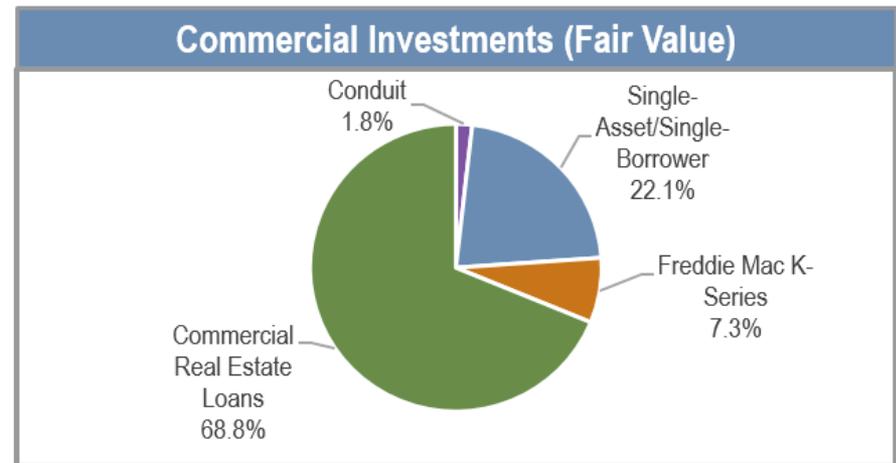
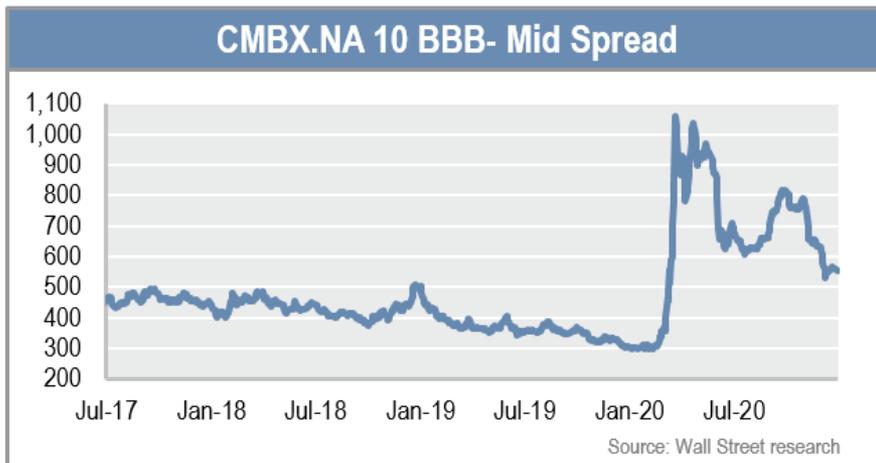
(d) The total funding cost and net interest margin for Residential Investments is 3.4% and 3.1%, respectively.

(e) Excludes Re/Non-Performing and Non-QM Loans.

Q4 2020 Commercial Portfolio Details



Description	Fair Value (mm)	Weighted Average Yield ⁷	Percent of Commercial Portfolio Fair Value	Percent of Investment Portfolio Fair Value
Conduit	\$3.3	11.9%	1.8%	0.2%
Single-Asset/Single-Borrower	40.2	4.8%	22.1%	2.9%
Freddie Mac K-Series ^(a)	13.3	8.3%	7.3%	1.0%
Commercial Real Estate Loans	125.5	5.0%	68.8%	9.0%
Total Commercial Investments^(b)	\$182.3	5.3%	100.0%	13.1%



- 13% of our Commercial Investments are fixed rate coupon and 87% are floating rate coupon¹⁰

(a) Consists of Freddie Mac K-Series and Interest Only.

(b) The total funding cost and net interest margin for Commercial Investments is 2.8% and 2.5%, respectively.

Duration Gap¹²



Duration gap was approximately 0.58 years as of December 31, 2020

Duration ^(a)	Years
Agency RMBS	1.73
Hedges	<u>(2.20)</u>
Agency Subtotal	(0.47)
Residential Loans ^(b)	0.80
Credit Investments, ³ excluding Residential Loans ^(b)	<u>0.25</u>
Duration Gap	0.58

Duration gap was approximately 1.39 years as of September 30, 2020

Duration ^(a)	Years
Agency RMBS	1.12
Hedges	<u>(1.32)</u>
Agency Subtotal	(0.20)
Residential Loans ^(b)	1.07
Credit Investments, ³ excluding Residential Loans ^(b)	<u>0.52</u>
Duration Gap	1.39

(a) Duration related to financing arrangements is netted within its respective line items.

(b) Residential Loans include Re/Non Performing Loans, Non-QM Loans and Land Related Financing.

Book Value Roll-Forward

	Amount (000's)	Per Share ¹
9/30/20 Book Value	\$ 120,505 \$	3.34
Common dividend	(1,243)	(0.03)
Preferred dividend ^(a)	(11,230)	(0.27)
Core earnings	9,102	0.22
Net proceeds from issuance of common stock and preferred share exchange offers ^(b)	25,856	0.19
Net realized and unrealized gain/(loss) included within equity in earnings/(loss) from affiliates	10,533	0.25
Net realized gain/(loss)	661	0.02
Net unrealized gain/(loss)	16,754	0.40
Other	289	0.01
12/31/20 Book Value	\$ 171,227 \$	4.13
Change in Book Value	50,722	0.79
12/31/20 Book Value	\$ 171,227 \$	4.13
Net proceeds less liquidation preference of preferred stock ^(c)	(8,133)	(0.19)
12/31/20 Adjusted Book Value^(c)	\$ 163,094 \$	3.94

(a) We declared \$14.9 million of preferred dividends in Q4 2020, of which \$11.2 million was accrued in Net Income/(Loss) Available to Common Stockholders in the second and third quarters of 2020, however, book value was not reduced for any accrual of undeclared dividends during these periods. The \$3.7 million of preferred dividends accrued during the fourth quarter is reflected in Core Earnings.

(b) This balance primarily relates to the impact on book value as a result of the preferred stock exchanges that were transacted during the fourth quarter.

(c) Adjusted Book Value is calculated by reducing stockholders' equity by the liquidation preference of our preferred stock.

Reconciliation of GAAP Net Income to Core Earnings²

Three Months Ended December 31, 2020		
	Amount (000's)	Per Share ¹
Net Income/(loss) available to common stockholders	\$ 47,374 \$	1.16
Add (Deduct):		
Net realized (gain)/loss	(661)	(0.02)
Unrealized (gain)/loss on real estate securities and loans, net	(25,304)	(0.62)
Unrealized (gain)/loss on derivative and other instruments, net	8,550	0.21
Gain on exchange offers, net	(10,035)	(0.25)
Equity in (earnings)/loss from affiliates	(21,942)	(0.54)
Net interest income and expenses from equity method investments	11,409	0.29
Other	(289)	(0.01)
Core Earnings	\$ 9,102 \$	0.22

Market Snapshot



Interest Rates	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20
Treasuries					
2 year	1.569	0.246	0.149	0.127	0.121
5 year	1.691	0.380	0.288	0.277	0.361
10 year	1.918	0.670	0.656	0.684	0.913
Swaps					
3-month LIBOR	1.908	1.451	0.302	0.234	0.238
2-year swaps	1.698	0.490	0.225	0.220	0.198
5-year swaps	1.729	0.524	0.326	0.346	0.430
10-year swaps	1.895	0.716	0.639	0.710	0.925

Agency RMBS	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20
Fannie Mae Pass-Throughs					
30 year 3.00%	101-25+	105-13+	105-16+	104-18+	104-25+
30 year 3.50%	103-01+	105-22+	105-09+	105-15+	105-23+
30 year 4.00%	104-09+	106-20+	106-03+	106-19+	106-25+
30 year 4.50%	105-23+	107-17+	107-19+	107-31+	108-12+
Mortgage Rates					
15 year	3.19%	2.92%	2.59%	2.40%	2.17%
30 year	3.74%	3.50%	3.13%	2.90%	2.67%

Credit Spreads	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20
CDX IG	45	114	76	59	50
New Issue CAS M2	186	1,180	320	307	277
CMBX.NA 10 BBB- Mid Spread	305	865	695	820	552

Source: Bloomberg and Wall Street research. Data have not been independently validated.

Condensed Consolidated Balance Sheet



December 31, 2020 (Unaudited)			
Amount (000's)			
Assets		Liabilities	
Real estate securities, at fair value	\$ 613,546	Financing arrangements	\$ 564,047
Residential mortgage loans, at fair value	435,441	Securitized debt, at fair value	355,159
Commercial loans, at fair value	125,508	Dividend payable	1,243
Investments in debt and equity of affiliates	150,667	Payable on unsettled trades	51,136
Excess mortgage servicing rights, at fair value	3,158	Other liabilities ^(a)	18,755
Cash and cash equivalents	47,926	Total Liabilities	990,340
Restricted cash	14,392	Commitments and Contingencies	
Other assets	9,407	Stockholders' Equity	
Total Assets	\$ 1,400,045	Preferred stock	238,478
		Common stock	414
		Additional paid-in capital	688,871
		Retained earnings (deficit)	(518,058)
		Total Stockholders' Equity	409,705
		Total Liabilities & Stockholders' Equity	\$ 1,400,045

(a) Other liabilities includes \$14.0 million of payables to affiliates, of which \$10.4 million is a secured note payable to our Manager due in March 2021.

Condensed Consolidated Statement of Operations



Three Months Ended December 31, 2020 (Unaudited)			
Amount (000's), except per share data			
Net Interest Income		Earnings/(Loss) Per Share - Basic	
Interest income	\$ 11,171	Continuing Operations	\$ 1.15
Interest expense	4,004	Discontinued Operations	0.01
Total Net Interest Income	7,167	Total Earnings/(Loss) Per Share of Common Stock	\$ 1.16
Other Income/(Loss)		Earnings/(Loss) Per Share - Diluted	
Net realized gain/(loss)	661	Continuing Operations	\$ 1.15
Net interest component of interest rate swaps	(179)	Discontinued Operations	0.01
Unrealized gain/(loss) on real estate securities and loans, net	25,304	Total Earnings/(Loss) Per Share of Common Stock	\$ 1.16
Unrealized gain/(loss) on derivative and other instruments, net	(8,550)		
Foreign currency gain/(loss), net	45	WA Shares of Common Stock Outstanding	
Other Income	2	Basic	40,683
Total Other Income/(Loss)	17,283	Diluted	40,683
Expenses			
Management fee to affiliate	1,656		
Other operating expenses	3,260		
Restructuring related expenses	251		
Servicing fees	539		
Total Expenses	5,706		
Income/(loss) before equity in earnings/(loss) from affiliates	18,744		
Equity in earnings/(loss) from affiliates	21,942		
Net Income/(Loss) from Continuing Operations	40,686		
Net Income/(Loss) from Discontinued Operations	305		
Net Income/(Loss)	40,991		
Gain on Exchange Offers, net	10,035		
Dividends on preferred stock	(3,652)		
Net Income/(Loss) Available to Common Stockholders	\$ 47,374		

Condensed Consolidated Statement of Operations *(cont'd)*

Year Ended December 31, 2020 (Unaudited)

Amount (000's), except per share data

Net Interest Income		Earnings/(Loss) Per Share - Basic	
Interest income	\$ 74,525	Continuing Operations	\$ (12.26)
Interest expense	36,945	Discontinued Operations	0.02
Total Net Interest Income	37,580	Total Earnings/(Loss) Per Share of Common Stock	\$ (12.24)
Other Income/(Loss)		Earnings/(Loss) Per Share - Diluted	
Net realized gain/(loss)	(256,522)	Continuing Operations	\$ (12.26)
Net interest component of interest rate swaps	731	Discontinued Operations	0.02
Unrealized gain/(loss) on real estate securities and loans, net	(159,466)	Total Earnings/(Loss) Per Share of Common Stock	\$ (12.24)
Unrealized gain/(loss) on derivative and other instruments, net	(10,347)		
Foreign currency gain/(loss), net	1,528	WA Shares of Common Stock Outstanding	
Other Income	6	Basic	35,191
Total Other Income/(Loss)	(424,070)	Diluted	35,191
Expenses			
Management fee to affiliate	7,181		
Other operating expenses	14,513		
Restructuring related expenses	10,200		
Equity based compensation to affiliate	163		
Excise tax	(815)		
Servicing fees	2,224		
Total Expenses	33,466		
Income/(loss) before equity in earnings/(loss) from affiliates	(419,956)		
Equity in earnings/(loss) from affiliates	(1,629)		
Net Income/(Loss) from Continuing Operations	(421,585)		
Net Income/(Loss) from Discontinued Operations	666		
Net Income/(Loss)	(420,919)		
Gain on Exchange Offers, net	10,574		
Dividends on preferred stock	(20,549)		
Net Income/(Loss) Available to Common Stockholders	\$ (430,894)		

Footnotes

1. Diluted per share figures are calculated using weighted average outstanding shares in accordance with GAAP. Per share figures are calculated using a denominator of all outstanding common shares including vested shares issued to our Manager and our independent directors under our equity incentive plans as of quarter-end. As of December 31, 2020, book value is calculated using stockholders' equity less net proceeds of our 8.25% Series A Cumulative Redeemable Preferred Stock (\$43.8 million), 8.00% Series B Cumulative Redeemable Preferred Stock (\$100.8 million), and 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (\$93.9 million) as the numerator. As of December 31, 2020, adjusted book value is calculated using stockholders' equity less the liquidation preference of our Series A Preferred Stock (\$45.4 million), Series B Preferred Stock (\$104.1 million), and Series C Preferred Stock (\$97.1 million), as the numerator. Book value does not include any accrual of undeclared dividends on our Cumulative Redeemable Preferred Stock.
2. We define Core Earnings, a non-GAAP financial measure, as Net Income/(loss) available to common stockholders excluding (i) (a) unrealized gains/(losses) on real estate securities, loans, derivatives and other investments, inclusive of our investment in AG Arc LLC, (b) net realized gains/(losses) on the sale or termination of such instruments, and (c) any OTTI, (ii) any transaction related expenses incurred in connection with the acquisition or disposition of our investments, (iii) accrued deal related performance fees payable to Arc Home and third party operators to the extent the primary component of the accrual relates to items that are excluded from Core Earnings, such as unrealized and realized gains/(losses), (iv) realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and the derivatives intended to offset changes in the fair value of those net mortgage servicing rights, (v) deferred taxes recognized at our taxable REIT subsidiaries, if any, (vi) beginning with the third quarter of 2019, concurrent with a change in our business, any foreign currency gains/(losses) relating to monetary assets and liabilities, (vii) beginning with the fourth quarter of 2019 and applied retrospectively, concurrent with a change in our business, income from discontinued operations, and (viii) any gains/(losses) associated with exchange transactions on our common and preferred stock. Items (i) through (viii) above include any amounts related to those items held in affiliated entities. Management considers the transaction related expenses referenced in (ii) above to be similar to realized losses incurred at the acquisition or disposition of an asset and does not view them as being part of its core operations. Management views the exclusion described in (iv) above to be consistent with how it calculates Core Earnings on the remainder of its portfolio. Management excludes all deferred taxes because it believes deferred taxes are not representative of current operations. As defined, Core Earnings include the net interest income and other income earned on our investments on a yield adjusted basis, including TBA dollar roll income or any other investment activity that may earn or pay net interest or its economic equivalent. Core Earnings includes earnings from AG Arc LLC. See slide 13 for a reconciliation of GAAP net income to Core Earnings. See footnote 11 for further details on AG Arc LLC.
3. The investment portfolio at period end is calculated by summing the net carrying value of our Agency RMBS, Residential Investments, Commercial Investments, and where applicable, any long positions in TBAs, and ABS Investments, including securities and mortgage loans owned through investments in affiliates, exclusive of AG Arc LLC. Our Agency RMBS, Residential Investments, and Commercial Investments are held at fair value. Our Credit Investments refer to our Residential Investments and Commercial Investments. Refer to footnote 4 for more information on the GAAP accounting for certain items included in our investment portfolio. The percentage of fair value includes any net TBA positions and securities and mortgage loans owned through investments in affiliates and is exclusive of AG Arc LLC. As of December 31, 2020, the \$1.4 billion Investment Portfolio includes \$0.4 million of Agency RMBS and \$217.5 million of Residential Investments recorded within "Investments in debt and equity of affiliates" on our consolidated balance sheet. As of December 31, 2020, Agency RMBS includes \$0.4 million of Agency Excess MSR recorded within "Investments in debt and equity of affiliates" on our consolidated balance sheet. As of December 31, 2020, Residential Investments include \$41.5 million of Re/Non-Performing Loans, \$153.2 million of Non-QM Loans, and \$22.8 million of Land Related Financing recorded within "Investments in debt and equity of affiliates" on our consolidated balance sheet. As of September 30, 2020, the \$1.1 billion Investment Portfolio includes \$0.4 million of Agency RMBS and \$217.2 million of Residential Investments recorded within "Investments in debt and equity of affiliates" on our consolidated balance sheet. As of September 30, 2020, Agency RMBS includes \$0.4 million of Agency Excess MSR recorded within "Investments in debt and equity of affiliates" on our consolidated balance sheet. As of September 30, 2020, Residential Investments include \$39.3 million of Re/Non-Performing Loans, \$152.5 million of Non-QM Loans, and \$25.4 million of Land Related Financing recorded within "Investments in debt and equity of affiliates" on our consolidated balance sheet.
4. Generally, when we purchase an investment and finance it, the investment is included in our assets and the financing is reflected in our liabilities on our consolidated balance sheet as either "Financing arrangements" or "Securitized debt, at fair value." Throughout this presentation where we disclose our investment portfolio and the related financing, we have presented this information inclusive of (i) securities and mortgage loans owned through investments in affiliates that are accounted for under GAAP using the equity method and, where applicable, (ii) long positions in TBAs, which are accounted for as derivatives under GAAP. The related financing includes financing of \$116.7 million and \$124.0 million recorded within "Investments in debt and equity of affiliates" on the Company's consolidated balance sheet as of December 31, 2020 and September 30, 2020, respectively. This presentation excludes investments through AG Arc LLC unless otherwise noted. This presentation of our investment portfolio is consistent with how our management evaluates the business, and we believe this presentation, when considered with the GAAP presentation, provides supplemental information useful for investors in evaluating our investment portfolio and financial condition.
5. The Economic Leverage Ratio is calculated by dividing total Economic Leverage, including any net TBA position, by our GAAP stockholders' equity at quarter-end. Total Economic Leverage at quarter-end includes recourse financing arrangements recorded within "Investments in debt and equity of affiliates" exclusive of any financing utilized through AG Arc LLC, plus the payable on all unsettled buys less the financing on all unsettled sells and any net TBA position (at cost). Total Economic Leverage excludes any fully non-recourse financing arrangements, and any financing arrangements. Non-recourse financing arrangements include securitized debt of \$355.2 million, \$359.0 million, \$199.0 million, \$197.2 million, and \$224.3 million as of December 31, 2020, September 30, 2020, June 30, 2020, March 31, 2020, and December 31, 2019, respectively, as well as financing on our Non-QM Loans of \$111.1 million, \$117.0 million, and \$210.6 million as of December 31, 2020, September 30, 2020 and June 30, 2020, respectively. Our obligation to repay our non-recourse financing arrangements is limited to the value of the pledged collateral thereunder and does not create a general claim against us as an entity.

Footnotes (cont'd)

6. Net interest margin is calculated by subtracting the weighted average cost of funds from the weighted average yield for our investment portfolio, which excludes cash held. Net interest margin also excludes any net TBA position. See footnotes 7 and 8 for further detail.
7. The yield on our debt investments represents an effective interest rate, which utilizes all estimates of future cash flows and adjusts for actual prepayment and cash flow activity as of quarter-end. Our calculation excludes cash held by the Company and excludes any net TBA position. The calculation of weighted average yield is weighted based on face value.
8. The cost of funds at quarter-end is calculated as the sum of (i) the weighted average funding costs on recourse financing arrangements outstanding at quarter-end, (ii) the weighted average funding costs on non-recourse financing arrangements, and (iii) the weighted average of the net pay rate on our interest rate swaps. The cost of funds at quarter-end are weighted by the outstanding financing arrangements at quarter-end, including any non-recourse financing arrangements. The cost of funds excludes any net TBA position.
9. We allocate our equity by investment using the fair value of our investment portfolio, less any associated leverage, inclusive of any long TBA position (at cost). We allocate all non-investment portfolio related assets and liabilities to our investment portfolio categories based on the characteristics of such assets and liabilities in order to sum to stockholders' equity per the consolidated balance sheets. Our equity allocation method is a non-GAAP methodology and may not be comparable to the similarly titled measure or concepts of other companies, who may use different calculations and allocation methodologies. Discontinued Operations refers to our Single-Family Rental Properties portfolio which was disposed of in Q4 2019.
10. Equity residuals, excess MSR and principal only securities with a zero coupon rate are excluded from this calculation. The calculation of weighted average coupon is weighted based on face value.
11. We invest in Arc Home LLC through AG Arc LLC, one of our indirect subsidiaries. Our investment in AG Arc LLC is \$45.3 million as of December 31, 2020, representing a 44.6% ownership interest.
12. We estimate duration based on third-party models. Different models and methodologies can produce different effective duration estimates for the same securities. We allocate the net duration by asset type based on the interest rate sensitivity. Duration includes any net TBA position. Duration does not include our equity interest in AG Arc LLC. Duration related to financing arrangements is netted within its respective line items.



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