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UCITS REMITTANCE Observations

Semper Capital Management July Remittance Data

July 31, 2020

- We analyzed the loan level data within our portfolios which covers over 400,000 loans supporting legacy non-agencies and 2.0 RMBS plus over 2 million agency loans supporting Agency Credit Risk Transfer (CRT). The data reflects loan performance during June for most homeowners, and during May for the remainder
- Mortgage loan remittance data reflects borrower activity well within our range of expected performance, and well within and in many cases below the lower end of the ranges of published Street analysts
- Additionally, principal and interest payments to bonds held in our portfolios showed very limited disruptions during the period. Less than 1/2 basis point of interest was withheld from the fund’s bonds - which is expected to be recovered - and is less than the amount of prior interest shortfalls received into the fund in July, a net positive
- Mortgages entering into forbearance agreements were essentially flat this month with some cohorts seeing slight increases in forbearance rates, while others (like Non-QM, certain RPLs and Jumbo 2.0) decreased. According to Black Knight data, weekly aggregate collateral forbearance percentages declined throughout July. Broadly speaking, across product types in the Non-Agency universe, there has been a gradual pickup in the cure rates of forborne loans which is anticipated to continue in the upcoming months
- Forbearance activity generally has come in lower than expectations over the last few months, and analysts have reduced the likely range of peak forbearance assumptions for many sectors while remaining cautious based on the timing of additional fiscal stimulus and the near term course of the pandemic
- Default activity across the RMBS sectors remains muted, largely as a result of the moratoriums, which is consistent with our expectations. Further, we would not expect to see any uptick in these numbers for several months given the increased use of forbearance plans, extended foreclosure moratoriums, significant government support, typical delays in distressed loan liquidations, low overall housing supply and rebounding demand coupled with overall strength in housing prices thus far
- Prepayment speeds continue to come in higher than expectations across RMBS sectors. CRT continues to prepay at very high speeds and is projected to continue to prepay quickly throughout the summer and into the fall. Other subsectors have continued to prepay above expectations including RPL, Legacy, Jumbo 2.0 and Non-QM. Collateral that is able to refinance through the GSE or FHA/VA channels in these other private label sectors are likely to maintain today’s elevated levels. We expect some eventual slowing in private label prepayment activity from current levels, although low rates, continued strength in real estate data and the re-start of certain non-agency loan origination may support faster private label prepayments in the second half of 2020 and into 2021. This remains a significant positive for the sector

UCITS Sector	Forbearance Details				July Remittance (June Performance)													
	Total MV	Street/Internal FB Expectations	Reporting Methodology	Agency/Non-Agency Collateral	Forbearance	FB Chg Jun to Jul	FB Chg May to Jun	D30	D30 Chg 1M Prior	D60+ Includes BK, FC and REO	D60+ Chg vs 1M Prior	FC	FC Chg vs 1M Prior	REO	REO Chg vs 1M Prior	Total DQ	Total DQ Chg vs 1M Prior	% Updated
CRT - STACR, Low LTV	13,968,211	10-18%	MBA	Agency	6.3	0.1	1.7	1.3	-1.5	5.3	1.8	0.0	0.0	0.0	0.0	6.6	0.2	72%
CRT - STACR, High LTV	8,950,415	10-18%	MBA	Agency	6.8	0.1	1.8	1.6	-1.7	6.3	2.2	0.0	0.0	0.0	0.0	7.8	0.5	92%
CRT - STACR, Other Financing Vehicles	8,685,678	10-18%	MBA	Agency	7.1	1.9	2.6	2.7	-1.6	4.4	3.5	0.0	0.0	0.0	0.0	7.1	1.9	28%
CRT - SCRT, Re-Performing Loans	9,004,906	10-18%	MBA	Agency	11.9	-0.4	1.8	3.6	-1.8	12.4	1.5	0.7	0.0	0.0	0.0	15.9	-0.3	100%
CRT - CAS, Low LTV ‡	11,012,189	10-18%	Delay	Agency	7.9	-	2.2	3.6	-1.9	5.1	4.3	0.0	0.0	0.0	0.0	8.7	2.4	100%
CRT - CAS, High LTV ‡	8,944,780	10-18%	Delay	Agency	8.5	-	2.6	3.9	-1.8	5.4	4.6	0.0	0.0	0.0	0.0	9.3	2.7	100%
2.0 Jumbo RMBS Securitization	16,709,643	8-15%	MBA	Non-Agency	3.8	0.0	1.2	1.0	-0.9	4.9	2.6	0.0	0.0	0.0	0.0	5.8	1.8	90%
Non-QM Securitization	11,857,222	25-32%	MBA	Non-Agency	18.5	-2.0	4.5	4.1	-3.7	21.8	2.7	1.3	0.0	0.2	0.1	25.9	-1.0	93%
Legacy	113,718,923	20-25%	OTS/MBA	Non-Agency	10.1	0.0	3.8	4.0	-3.1	21.4	2.8	4.5	-0.4	0.9	-0.1	25.4	-0.4	97%
Non-Performing Loans Securitization	38,138,495	5-10%	MBA	Non-Agency	3.6	-0.1	0.2	2.8	-0.2	86.2	-0.4	16.9	0.2	53.0	-0.7	89.0	-0.6	30%
Seasoned 2nd Lien Securitization †	1,941,579	20-25%	OTS	Non-Agency	4.5	-	1.4	2.4	-0.3	2.8	1.6	0.0	0.0	0.0	0.0	5.2	1.3	100%
Reperforming Loan Securitization †	14,760,256	20-25%	OTS	Non-Agency	12.0	-	0.9	3.9	-5.9	12.4	6.8	1.1	0.0	0.0	0.0	16.3	0.9	80%

UCITS Sector	Total MV	July Remittance (June Performance)								
		1M CPR	1M CPR Chg vs 1M Prior	1M CDR	1M CDR Chg vs 1M Prior	1M Sev	1M Sev Chg vs 1M Prior	Collat Stats HPI LTV	WALA	% Updated
CRT - STACR, Low LTV	13,968,211	50.2	3.4	0.0	0.0	0.0	0.0	70.6	18	72%
CRT - STACR, High LTV	8,950,415	52.4	1.8	0.0	0.0	0.0	0.0	88.0	14	92%
CRT - STACR, Other Financing Vehicles	8,685,678	53.9	8.5	0.0	0.0	0.0	0.0	58.1	42	28%
CRT - SCRT, Re-Performing Loans	9,004,906	11.6	2.0	0.3	0.1	28.2	-15.7	59.4	163	100%
CRT - CAS, Low LTV ‡	11,012,189	47.0	-0.5	0.0	0.0	14.2	2.5	68.1	22	100%
CRT - CAS, High LTV ‡	8,944,780	43.3	-0.1	0.0	0.0	5.9	14.1	85.0	19	100%
2.0 Jumbo RMBS Securitization	16,709,643	29.0	0.5	0.0	0.0	33.2	0.0	50.3	66	90%
Non-QM Securitization	11,857,222	30.2	11.6	0.0	0.0	0.0	0.0	65.5	24	93%
Legacy	113,718,923	9.5	2.2	2.9	0.5	46.2	-4.7	56.0	169	97%
Non-Performing Loans Securitization	38,138,495	0.8	0.2	23.6	6.5	16.7	3.9	77.7	164	30%
Seasoned 2nd Lien Securitization †	1,941,579	24.2	1.5	1.2	-0.3	100.0	0.0	74.8	162	100%
Reperforming Loan Securitization †	14,760,256	12.3	1.3	0.3	-0.1	59.6	5.0	60.6	158	80%
Total/Weighted Average:	257,692,297	19.5	2.3	2.8	0.6	42.3	-3.5	61.8	124	99%

*Acronym Key: FB: Forbearance, D30: 30 days delinquent, DQ: Delinquent, FC: Foreclosure, REO: Real Estate Owned, BK: Bankruptcy, CPR: Conditional Prepayment Rate, CDR: Constant Default Rate, Sev: Loss Severity, HPI LTV: Home Price Index Adjusted Loan-to-Value Ratio

*Acronym Key Continued: WALA: Weighted Average Loan Age, CAS: Fannie Mae Credit Risk Transfer Program, STACR and SCRT: Freddie Mac Credit Risk Transfer Program

*Reporting Methodology MBA: A borrower is deemed 30 days delinquent if this month's mortgage payment is not paid by the last day of this month (i.e. any borrower who did not pay their June mortgage payment by June 30th would show up 30 days delinquent in the July remittance)

*Reporting Methodology OTS: A borrower is deemed 30 days delinquent if this month's mortgage payment is not paid by the first day of next month (i.e. any borrower who did not pay their June mortgage payment by July 1st is considered current on the July remittance and 30 days delinquent in the August remittance)

‡ CAS remittance data is delayed 1 month, so the July remittance report shows May performance. STACR remittance data can be used as an indicator for June loan performance in CAS deals

† These sectors are delayed 1 month. They use the OTS reporting methodology

*Sources: Semper, Nomura, Bank of America, Bloomberg, Intex, Webbs Hill Advisors and Corelogic

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