# Granite Point Mortgage Trust Inc.

## First Quarter 2018 Financial Results Conference Call

## May 10, 2018 at 10:00 a.m. Eastern

**CORPORATE PARTICIPANTS**

**Jack Taylor,** *President and Chief Executive Officer*

**Marcin Urbaszek,** *Chief Financial Officer*

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**Steve Plust,** *Chief Operating Officer*

**Chris Petta***,* *Investor Relations*

**PRESENTATION**

**Operator**
Good morning. My name is Brandon, and I will be your conference facilitator. At this time, I would like to welcome everyone to the Granite Point Mortgage Trust's First Quarter 2018 Financial Results Conference Call. All participants will be on a listen-only mode, after the speakers' remarks, there will be a question-and-answer period. Please note that this event is being recorded.

I would now like to turn the call over to Chris Petta with Investor Relations for Granite Point.

**Chris Petta**
Thank you, and good morning, everyone. Thank you for joining our call to discuss Granite Point's First Quarter 2018 Financial Results. With me on the call this morning are Jack Taylor, our President and CEO; Marcin Urbaszek, our CFO; Steve Alpart, our CIO, and Steve Plust, our COO.

After my introductory comments, Jack will provide a brief recap of market conditions and some business highlights. Steve Alpart will discuss our first quarter originations, portfolio, and pipeline. And Marcin will highlight key items from our financials.

The press release and financial tables associated with today's call were filed yesterday with the SEC. If you do not have a copy, you may find them on our website or on the SEC's website at sec.gov. In our earnings release and slides, which are now posted in the Investor Relations section of our website, we have provided a reconciliation of GAAP to non-GAAP financial measures. We urge you to review this information in conjunction with today's call. I would also like to mention that this call is being webcast and may be accessed on our website in the same location.

Before I turn the call over to Jack, I would like to remind you that remarks made by management during this conference call and the supporting slides may include forward-looking statements. Forward-looking statements reflect our views regarding future events and are typically associated with the use of words such as anticipate, expect, estimate and believe, or other such words. We caution investors not to rely unduly on forward-looking statements. They imply risks and uncertainties, and actual results may differ materially from expectations. We urge you to carefully consider the risks described in our filings with the SEC, which may be obtained on the SEC's website at sec.gov. We do not undertake any obligation to update or correct any forward-looking statements if later events prove them to be inaccurate.

I will now turn the call over to Jack.

**Jack Taylor**
Thank you, Chris, and good morning, everyone. On behalf of our management team, we would like to welcome you all and thank you for joining us for our first quarter earnings call.

After an active and transformative year in 2017, we started 2018 with a few key objectives designed to build upon the progress we made last year in expanding and improving our business with the ultimate goal of delivering strong returns to our shareholders. I am pleased to report that we are off to a great start this year and have made significant progress on our initiatives.

As we have mentioned previously, we have been actively focused on diversifying and expanding our financing sources and have taken two key steps in that direction. First, we established a $75 million bridge financing facility, which will increase the efficiency of our loan closing and cash management processes. We followed with our inaugural CLO financing transaction. This $826 million transaction brings many benefits to our business, including a lower cost of funds and matched-term funding on a non-mark-to-market and non-recourse basis. Despite headwinds in the capital markets at the time of our launch, our offering was very well received, and we were able to achieve great terms that were on par with other recent transactions. This result is the product of the high credit quality of our loan originations and the strength of our platform. It also illustrates that our strategy works very well in the CLO context, positioning Granite Point to become the successful repeat issuer in this market, if we so choose.

As we previously disclosed, we had a temporary decline in our first quarter originations, owing to our robust pace of originations following our IPO and the resulting capital constraints at the end of last year. Now, our investment pipeline is again strong and consistent with our expected pace for originations. Since quarter end, we have generated a pipeline of about $400 million of senior floating-rate loans, half of which have already closed. We continue to see many attractive opportunities to lend on high quality properties and are confident we will maintain our healthy origination pace. Our active pipeline illustrates the capabilities of our direct origination platform and highlights the strength of our relationships and our reputation for our reliability, creativity, and flexibility. These successes in both originations and in the financing markets illustrate our platform's potential and will help us continue to establish Granite Point as one of the leaders in our sector. We are very excited about our progress so far in 2018 and remain dedicated to executing our strategy and delivering attractive returns to our shareholders.

Moving to our first quarter performance, please turn to Slide 4. Marcin will discuss our detailed financial results shortly, but I'd like to touch on some of the highlights. In the first quarter, we delivered core earnings of 35 cents per share, a penny-per-share increase over the fourth quarter. Our common dividend for the first quarter was 38 cents per share and provides an attractive current yield to our shareholders. We expect our earnings and dividend to benefit as we continue deploying our capital and grow our investment portfolio over the course of 2018. At quarter end, our outstanding portfolio balance was $2.4 billion and was 100 percent performing, with a weighted average LTV of 64 percent.

The overall economic and commercial real estate environment continues to be positive and very conducive to our strategy of focusing on senior floating-rate loans. Property fundamentals remain healthy across most markets and unchanged from last quarter, and we don't anticipate that this market environment will dramatically change in the near term. There has been some press in our markets lately reporting lower real estate transaction activity, which in total is accurate. However, if you dig a little deeper, you will see that the areas most impacted by the tail-off in volume are the larger portfolio sales and entity-level transactions. Furthermore, the overall decline in activity over the last few quarters has mainly been concentrated in the top five markets around these larger transactions. In fact, the volume of individual property transactions, the ones we focus on the most, improved over the last quarter. As we have indicated in the past, our strategy prioritizes a broader set of markets and somewhat smaller transaction sizes, and, as such, we continue to see a healthy volume of both acquisition and refinancing deals.

Loan credit quality and overall lending standards generally remain rational in terms of structure and leverage. Property prices continue to improve but remain within historical norms and are supported by NOI growth and a healthy overall economic environment. Active competition for assets has resulted in additional spread compression. Nonetheless, we are able to find attractive investment opportunities as evidenced by our pipeline, and, as we exploit the CLO market and work with our lending counterparties, we continue to see improvement in our cost of funds, keeping our overall returns generally within our target range.

We are confident that our continued strategy of targeting both the primary and secondary markets, combined with our broad network of deep industry relationships and disciplined underwriting, will enable us to progress on our business plan and deliver attractive returns to our shareholders over time. Thank you for your continued support.

Now, I will turn the call over to Steve Alpart to discuss our originations and portfolio in more detail.

**Steve Alpart**
Thank you Jack, and good morning everyone, and we appreciate your time this morning. I'll spend a few minutes reviewing our first quarter originations and highlighting our progress so far in the second quarter, and then I'll provide some key metrics on our portfolio.

Let's turn to Slide 5. Our total fundings in the first quarter were about $156 million. We originated five new loans with total commitments of $113 million and initial fundings of $104 million. We upsized two existing loans for about $20 million, and we funded about $32 million of our pre-existing loan commitments. Our first quarter new loan originations are secured by existing, high-quality, income-producing properties across our target markets with a weighted average LTV of 62 percent. Due to a small sample size, the 5 new loans happen to be concentrated in the office and hotel sectors and carry a weighted average yield of LIBOR plus 500 basis points. Going forward, we would expect to see property diversification more consistent with originations from prior quarters.

While we remain very selective, we continue to see a strong flow of investment opportunities that fit our credit and return thresholds and have been very active building our pipeline. To date in the second quarter, we have made total commitments of approximately $400 million of senior floating-rate loans with initial fundings of over $330 million. About a third of our pipeline is in the multifamily assets, which we continue to like from the credit perspective. Although these loans generally carry lower yields, we believe they can be financed on more attractive terms than some other property types. Thus far in the second quarter, we've closed six loans, with a total funded balance of about $190 million. The remaining loans are expected to close over the next few months, subject to the typical closing conditions.

As we discussed on our last earnings call, we anticipate that we will continue to experience some repayments as our portfolio seasons. We received about $100 million of prepayments and principal amortization in the first quarter. Although this repayment activity limited our portfolio growth, we realized relatively significant prepayment fee income, highlighting our ability to thoughtfully structure our investments in a manner designed to protect the cash flow produced by our portfolio. Based on our current estimates, during the second quarter, we expect to receive between $250 million and $300 million of prepayments and principal amortization, which we view as elevated. As is the case with originations, prepayments will vary from quarter to quarter. However, we believe that on a stabilized basis, our portfolio will likely pay off at an annual rate of approximately 25 percent as it becomes more seasoned. As part of our asset management process, we actively monitor our portfolio and proactively communicate with our borrowers regarding their plans for the property and our loan. Where appropriate, we may work with our borrowers to amend the original terms of our loan at market or often better terms for us, in order to extend our call protection.

Moving on to Slide 6, at March 31st, our portfolio had a total outstanding principal balance of $2.4 billion, a weighted average stabilized LTV of approximately 64 percent, and a weighted average asset yield of LIBOR plus 5.11 percent. We have over $300 million of future funding commitments, and we expect the majority of them to occur over the next 18 to 24 months. Our portfolio reflects our strategic focus on senior loans, which comprise over 95 percent of our investments as well as a broader range of MSAs and generally smaller loan sizes than some of the other market participants. By property type, our portfolio is weighted towards the office and multifamily sectors, which we continue to find attractive. The flexibility of our strategy and focus on rigorous credit underwriting allows us to be selective and pick the best investments for our portfolio, without compromising on credit protections.

As illustrated on Slide 7, our portfolio is also over 97 percent floating rate, which positions us well for rising short-term rates. We estimate that if LIBOR were to increase by 100 basis points, our annual net interest income on the existing portfolio would increase by approximately 19 cents per share.

Turning to Slide 8, I'll briefly comment on two recent deal examples that further illustrate our strategy and the high quality assets we originate through our large network of industry relationships.

The first deal example is a $23 million floating-rate loan collateralized by a recently renovated, fully leased, 43,000 square foot, Class A office property in the South Beach sub-market of Miami, Florida. The property is very well located in a high-barrier-to-entry market with strong fundamentals. It has an 8,000 square foot furnished and landscaped rooftop deck and an attached structured parking garage with 80 spaces, both of which are major attractions in this sub-market. Our sponsor, who is based in Atlanta, has substantial expertise with this asset class and in this region. They have acquired and managed over 11 million square feet of commercial properties across 55 transactions, focusing primarily on the office sector. The property is 100 percent occupied by a single tenant under a long-term lease that would also work very well as a multi-tenant office property. Lastly, our loan is moderately leveraged at approximately 61 percent LTV and has a strong cash flow profile.

The second deal example is a $50 million floating-rate loan collateralized by a newly-built, 747-bed, Class A, institutional quality student housing property located less than half a mile from Texas A&M University in College Station, Texas. Like the first deal example, our loan was used to complete a cash-neutral refinancing, in this case to take out the construction loan and to allow the sponsor to continue to ramp and stabilize operations. This loan is secured by the type of student housing that we really like. Texas A&M is the second largest university in the country and growing very rapidly. We have institutional sponsorship consisting of a private equity firm that is one of the country's largest owners of student housing properties, and an operating partner that has developed over 35,000 beds across 63 properties in 28 states. The property has best-in-class amenities and is located in a vibrant neighborhood offering a diverse selection of restaurants, coffee shops and nightlife. The business plan is very straightforward. The property is now over 80 percent pre-leased, is projected to reach 90 percent occupancy by the start of fall 2018 academic year, and will need one or two more academic years to fully stabilize. And finally, our loan is moderately leveraged, with the sponsor having over $20 million of cash equity in the deal.

In summary, we continue to see a great flow of investment opportunities that fit our overall strategy and investment criteria, and we are confident that we will continue to successfully execute on our business plan in a disciplined and prudent manner on behalf of our shareholders.

I will now turn the call over to Marcin for a more detailed review of our quarterly financial results.

**Marcin Urbaszek**
Thank you, Steve, and good morning, everyone. Over the next few minutes I will discuss our financial performance as well as our capitalization and liquidity.

Turning to Slide 9, our GAAP net income for the first quarter was $14.6 million, or 34 cents per share. Our core earnings were $15.2 million, or $35 cents per share. Our earnings include about $0.9 million, or 2 cents per share of prepayment income. Taxable income for the first quarter was $19.6 million, or 45 cents per share, and included about $4.3 million of GAAP-to-tax differences related to our formation transaction. We declared a first quarter dividend of 38 cents per common share, which translates into an attractive current dividend yield. Our book value at March 31st was $19.05 per common share and was affected by the common dividend in excess of GAAP earnings and a slightly higher share count.

I'll now provide a quick update on our GAAP-to-tax difference. Since our IPO, we have recognized approximately $10 million out of the total of $22 million of the additional accretion in taxable income vs. GAAP earnings. The remaining difference is approximately $12 million and, as has been the case over the last three quarters, it will likely cause our taxable income to be higher than GAAP earnings in future periods. The timing of its recognition is difficult to predict; however, we estimate it to be a short-term factor which should be resolved over the next few quarters.

Turning to Slide 10, as of March 31st, we had approximately $1.5 billion outstanding on our financing facilities and a total borrowing capacity of $2.3 billion. We have ready access to financing and have seen improvements in our cost of funds on new originations, as our lenders are working with us to manage our cost of capital in light of tightening loan spreads. We ended the quarter with a debt-to-equity ratio at 2 times. We believe we will get to our target leverage of 2½ to 3 times in the second half of the year as we deploy the available capital. Accounting for our existing pipeline and expected loan repayments, we currently have liquidity to originate an additional $600 million to $700 million of loans.

As Jack discussed earlier, since quarter end, we have made significant progress on our strategic goal of further diversifying our financing sources and lowering our overall cost of capital. In addition to establishing a $75 million, two-year revolving bridge financing facility that will be very beneficial in helping us manage liquidity, we closed an $826 million CLO. The CLO transaction represents an attractive and accretive financing for 25 of our existing investments, many of which were previously financed on our credit facilities. This financing carries an initial weighted average advance rate of approximately 80 percent and an initial weighted average coupon of LIBOR plus 1.27 percent. Also important is the CLO structure, which is a non-mark-to-market, non-recourse type of financing that also helps us from a balance sheet management perspective. We are proud of the progress we have made so far in 2018 and are excited about the future prospects of our business.

Thank you again for joining us today and now I will ask the Operator to open the call to questions.

## QUESTIONS AND ANSWERS

**Operator**
Thank you. We will now begin the question-and-answer session. To ask a question, you may press star, then 1 on your touchtone phone. If you are using a speakerphone, please pick up

your handset before pressing the keys. To withdraw your question, please press star, then 2. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Jade Rahmani with KBW. Please go ahead.

**Ryan Thomasello**
Good morning, guys, this is actually Ryan Thomasello on the line for Jade. Just, first, congrats on the CLO. I was wondering if you can give a bit more color on the structure. Is that a static pool with a sequential paydown, or are there any features that allow for reinvestment of repayment proceeds, and, if so, how do you expect to manage that risk?

**Steve Plust**
Hey, Ryan, it's Steve Plust. Good morning. It's largely a static transaction. We've structured it such that we can take in future fundings on existing loans in the pool based on the case of prepayments over the first few years. So we think that's a very appropriate structure, given the portfolio, and we think it will optimize the financing of those assets.

**Ryan Thomasello**
And do you expect the CLOs to become a more meaningful source of financing for the company and for Granite Point to become a regular issuer in the market? And if that's the case, it seems like this could have programmatic potential and maybe confer some platform capability to Granite Point, in our view.

**Jack Taylor**
Hi, thank you for the question. This is Jack Taylor. We have positioned ourselves to be a repeat issuer in the CLO market, and we have the portfolio and capacity to do so and will evaluate over time when it's to our benefit. We agree with you that it provides a diversifying source of funds for us at a very competitive cost to capital.

**Ryan Thomasello**
And just digging into the elevated repayments that you expect in the quarter, can you give a bit more color on what's driving that, maybe how much of that you attribute to strong market liquidity driving elevated prepayments, and maybe can you give how much of that amount is scheduled maturities versus prepayments?

**Steve Plust**
Hey, Ryan, it's Steve Plust again. The rise for the quarter is really attributable to one asset, a large asset that was successful in implementing its business plan a little bit faster than we expected. Given the nature of these sorts of portfolios, you're going to have some lumpiness from period to period in prepayments. It's just the nature of the assets, but, in general, as we've said in the past, we generally expect the portfolio, once seasoned, to pay off about a quarter, plus or minus, per year, on an annualized basis.

I want to just remind you, as we've said in the past, our portfolio is fairly young, and we've originated about half of it, more or less, in the past year.

**Ryan Thomasello**
And can you give us the size of that loan? A bit more color on what type of property and the business plan.

**Jack Taylor**
It is approximately a $100 million retail/mixed-use property, and we made the loan in early 2015, so the borrower has had a good amount of time to mature their business plan, and it was largely a repositioning of tenant mix, and they've been able to do so, and now they're choosing to go into the fixed-rate financing markets, which is something we don't serve currently.

**Ryan Thomasello**
It seems like that potentially could be viewed positively from the credit of the book, given the implementation of the business plan faster than you guys expected. And, just lastly, with the stock still about 10 percent below book value, what are your thoughts around other capital sources outside of the CLO market, which you mentioned you expect to continue to tap going forward? For example, are converts still attractive, and what are your thoughts around unsecured debt or preferred equity?

**Marcin Urbaszek**
Hi, Ryan, good morning. This is Marcin. I'll take this. As I stated earlier, as of today, we have pretty significant liquidity, which we estimate will support another $600 million or $700 million of loans, which, looking at our current pace of originations, that's probably a couple quarters of originations. So once we deploy that money and see where the portfolio is, obviously, whether any other prepayments — we'll see where the stock is at that point, which we believe will be higher as we deploy the money and grow earnings and dividends, we will evaluate all the different options that we have in the capital markets, and I would say, between converts, preferred, common and unsecured debt, any of those options may be appropriate at that time, but we will re-evaluate as we get closer to year-end, once we deploy all the capital.

**Ryan Thomasello**
Great. Thanks for taking the questions, guys.

**Marcin Urbaszek**
Thank you.

**Operator**
Our next question comes from Stephen Laws with Raymond James. Please go ahead.

**Stephen Laws**
Thank you. Good morning. Jack, first, I'd like to start with a couple questions, maybe on yields in the market and mix. It seems like your yields on new investments at L plus 511 are — or, excuse me, plus 522, are holding up better maybe than we're seeing some of the peers – they're up sequentially. Can you maybe provide some comments around that? Was it the higher hotel mix that contributed? I know you guys commented in the prepared remarks that the mix will shift a little bit going forward and one Q's not reflective of the go-forward mix. Are you seeing advantages being at a smaller loan size than maybe some other players that target $100 million-plus loans? But can you comment on maybe why your yields on new investments seem to be holding in better than your peers?

**Jack Taylor**
Well, thank you for the question and good speaking with you this morning. I would say a couple things because there were several questions you had. One, it is a small sample size, and so it's driven in part by that. I do believe that we are seeing a yield compression along with the spread compression, but we are seeing advantages from being in the second tier markets and the medium-size loans that we're pursuing rather than the very large loans.

**Stephen Laws**
Is there anything specific about the hotel investments you made? Are those just a function of, again, a small sample size and some select investments, or is there something specific to the hotel sector that you find attractive?

**Jack Taylor**
Well, in terms of the percentage for this quarter, it is, largely because of the small sample size. We continue to be selective on hotels, and when we find hotels that we like, which we are able to do in this market, we've been pursuing them.

**Stephen Laws**
Great. And then, to follow-up on the repayment question, and, I think the retail asset that you're referring to is Asset 4 that you break out on the portfolio on page 14. Can you talk about, given the size, the timing in the quarter when you expect that to repay, given it will likely take some time to get that capital redeployed? So any clarify on timing of when it may repay during the quarter?

And then, additionally, it looks like the yield is L plus about 380, so given where money is going to work, is it fair to assume that once it's redeployed, we could end up with a net benefit on the total portfolio returns there?

**Marcin Urbaszek**
Hi, Stephen, it's Marcin. So this asset actually repaid yesterday. So yes, it is Asset 4, it's a loan in California, and as Steve said, that obviously is a positive. The loan is almost three years old, so we were expecting it to repay a little bit later in the year, but the business plan accelerated, and so it's a good resolution. We want to get our money back.

In terms of yields, I would say, to the earlier point, the Q1 yields of 522, I wouldn't say that that's very reflective of current markets. I would expect that to be somewhat lower on our ongoing originations. It's hard to speculate as to whether this asset is repaying at 380 and being replaced with something higher, how much of an impact that's going to have on earnings. I will say that we funded over $190 million of loans so far this quarter already, so this repayment, this large repayment that happened yesterday will have some impact, but it shouldn't be very significant.

**Stephen Laws**
Great. Well, thank you very much for the color on that. I appreciate you taking my questions.

**Marcin Urbaszek**
Absolutely. Thank you.

**Jack Taylor**
Thank you.

**Operator**
Our next question comes from Fred Small with Compass Point. Please go ahead.

**Fred Small**
Hey, good morning, and thanks for taking my questions. Just two more. I may have missed this earlier, but on the prepayments, following up on that, or the large prepayment, are there prepayment fees associated with that?

**Marcin Urbaszek**
No, there aren't.

**Fred Small**
And then do the elevated prepayments in the quarter, can you remind me what those do to the GAAP versus tax and the amount that's still bleeding into book value?

**Marcin Urbaszek**
Good question, Fred, appreciate that. So repayments and prepayments and earlier payments obviously do accelerate this accretion that we have on taxable income, so this will have some impact on that this quarter. I would say, again, it's hard to estimate, but I would expect our taxable income to be again elevated significantly over GAAP earnings. So, again, it's hard to say what that number is going to be, but it's going to be pretty substantial.

**Fred Small**
Okay. Got it. Are there any other large loans, top ten, maybe on the schedule, where things are currently? The business plan is running ahead of schedule, and you would anticipate faster-than-expected repayment?

**Jack Taylor**
We are expecting additional prepayments. Nothing major is running ahead of schedule, so it's pretty much steady as you go.

**Fred Small**
Okay, got it. And then, given the funding costs coming down a little bit and just current expectations for originations and repayments, when would you expect to be covering the current dividend with core EPS?

**Marcin Urbaszek**
Hi, it's Marcin again. I'll say that once we are through this GAAP-to-tax difference, I think we will. Our intention is longer-term to be much closer to core and cover the dividends through core.

Let me make one comment on the taxable versus dividend as how we're thinking about it. Taxable income, as you saw, was 45 cents in the first quarter and so it's going to be pretty significant in the second quarter, I wouldn't look at taxable income quarter to quarter as an indication of our dividend going forward, because the lumpiness and volatility of that number every quarter is really hard to predict, and we are very focused on making sure that our dividend is sustainable and stable over time, but I would say once we are through this GAAP-to-tax difference, which, again, I expect most of that to resolve probably over the rest of this year, maybe early next year, we should see our dividend much closer to core.

**Fred Small**
Okay, got it. Thanks.

**Operator**
Our next question comes from Steve Delaney with JMP Securities. Please go ahead.

**Steve Delaney**
Good morning, and thank you for taking the question. Back on the CLO for a moment, average coupon out of LIBOR plus 127 on the $660 million of notes, obviously very attractive, but as Marcin certainly knows, the bankers don't work for free. So I was just wondering if you could give

us some indication of what you would expect your all-in effective borrowing rate to be, including the issuance cost. Thanks.

**Steve Plust**
Hey, Steve — Steve Plust.

**Steve Delaney**
Oh, hi, Steve.

**Steve Plust**
Good morning. Here are the pieces. Upfront costs of issuance are plus or minus 1 to 1.2 percentage of bonds. You've got a bond spread — of LIBOR 127, the average life of the financing is going to be something on the order plus or minus of two years, so I think that math gives you a financing cost on an effective basis of something like LIBOR 175 to 200. And that's going to depend.

**Steve Delaney**
Got it.

**Steve Plust**
Obviously on — that's obviously going to depend on the pace of prepayments in the portfolio.

**Steve Delaney**
Right, but two years is your average expected maturity on the loans or repayment?

**Steve Plust**
It's our best guess today.

**Steve Delaney**
Okay. And would you say — I'm just thinking about your term facilities, and most of those, I think, are between 200 and 250, so are you guys thinking about 50 basis points of a relative benefit from an interest expense versus bank facilities? I'm just trying to picture the magnitude of the benefit versus the 175 to 200.

**Steve Plust**
Yeah, I think that's the right number. As we disclosed, our facilities are LIBOR 228 plus amortization of all the different costs that are associated with repo facilities. I think 50 to 60 basis points advantage on that particular loan pool is probably a good estimate.

**Steve Delaney**
All right. Very helpful. And, Jack, if I could, or, Steve Alpart, I was on the road with one of your peers' CEOs early this week, and I heard a comment about market conditions, property values, and I heard a statement that there are signs of multifamily overbuilding in the Southeast, Southwest. Now, I know multifamily is not one of your top categories -- about 15 percent -- but I'm just curious if you are seeing in any of your markets, if you are seeing signs of any overbuilding of new apartments. Thanks.

**Steve Alpart**
Hey, Steve, it's Steve Alpart. Thank you. Overall, we like the multifamily sector. As you pointed out, it's about our second biggest category by percentage. It's about probably 13 percent right now, so overall we like the sector. A good part of our current pipeline is in the multifamily sector.

What we're seeing is that fundamentals overall in the market that we're in seem very strong so far. We are seeing some new supply, as you pointed out, in some markets. Within those markets, we could put some near-term pressure on rent growth and occupancy in the short term, but overall I would say it's not a major concern. We're tracking it, we're aware of it. I think we've mentioned on some prior calls, we tend to focus more on Class B properties than Class A. We will do both, but if you look at what we've done to date, it tends to be Class B, value-adds, multifamily, and, obviously as a debt investor, we're not underwriting for the same assumptions as an equity investor or in de-risk positions, so where there is some new supply, I would say we're either avoiding those markets or we view it as not a serious concern for what we're doing.

And there are some positive tailwinds, like the Tax Reform act. We've read research and tend to believe it, that it will probably have some positive impact on the rent-versus-buy analysis, and, obviously, everything that we're doing is always going to be — we have the macro view, which is what we're talking about now, but it's always going to be down to a specific asset, a specific location, so we can underwrite that or just avoid those markets. So we're aware of it, but with what we're seeing right now, there's not a major concern.

**Steve Delaney**
Great. Well, thank all of you for your comments.

**Jack Taylor**
Thank you.

**Operator**
Our next question comes from Jack Moreno with Colorado Wealth Management. Please go ahead.

**Jack Moreno**
Congratulations on your first CLO. Should we expect another in 2018?

**Jack Taylor**
Well — this is Jack Taylor — I would say that if the markets are open, we'll evaluate it at the time, and our capability to do so remains strong, and we would not predict anything with respect to timing.

**Jack Moreno**
Okay. Some of your peers have used open market purchases with the investors having a plan to boost their stakes through those open market purchases. Has GPMT considered a plan for executives to raise their stakes in the common stock with GPMT?

**Jack Taylor**
Well, as we've stated earlier on prior calls, a buyback program is something that we've discussed. We believe that at this stage of the company's life, it's important to continue executing on our business plan, deploying our capital into attractive, accretive investments so we will always do what's in the best interest of our shareholders, but it's early in the stages for our company now.

**Operator**
Our next question is a follow-up from Ryan on for Jade Rahmani with KBW. Please go ahead.

**Ryan Thomasello**
Hey, guys, thanks for taking the follow-up. Just following up on the conversation on yields. Maybe you can give us, if you have it, the average yield on the loans closed quarter to date or maybe in the overall pipeline, and, recognizing the mix of multifamily and the impact on yields, maybe you could also quantify the levered IRRs.

**Marcin Urbaszek**
Hey, Ryan, it's Marcin. I would say generally our Q2 pipeline as to what we're seeing right now, is probably slightly lower than what you've seen us do last year. So we did, last year we did about 485, 490. I would assume the pipeline for Q2 is somewhere in the low- to mid-400s over LIBOR.

**Ryan Thomasello**
I'm sorry. I was referring to the yields no the loans and the IRRs rather than the dollar amount, if you guys have that.

**Marcin Urbaszek**
That's what I was talking about. It's LIBOR plus, low to mid-400s.

**Ryan Thomasello**
Okay, sorry. My mistake. Great. Thanks.

**Operator**
Our next question comes from Ben Zucker with BTIG. Please go ahead.

**Ben Zucker**
Good morning, guys, and thanks for taking my questions. I appreciated the color you gave us on the issuance cost and on expense for your CLO. From a higher level, I also heard you say that you guys are positioned to be a serial issuer so long as the market continues to cooperate. Now that you got the inaugural securitization out of the way, do you think future issuances could be done even more efficiently, or are those costs that you identify largely fixed and pretty black and white with the securitization market?

**Jack Taylor**
Well, hi. Thank you for your question. I think that there's certain costs that are first-time, upfront costs that won't be repeated. There's a band of costs that you can live within as an issuer, and so we would expect that going forward, our issuance cost would be more efficient, as you put it. You can only push it so far, but we expect that we would be more efficient as a serial issuer.

**Ben Zucker**
That's helpful. And this next one, I think, is for Marcin. I just want to confirm that the fee income line items from the income statement is where you recognized the early repayment fees that you called out in the release. Is that correct?

**Marcin Urbaszek**
Yes, that is correct.

**Ben Zucker**
So that's great. So the origination and exit fees are amortized over the life of the loan through interest income, but when you guys have those early repayment fees, we're going to see those show up in the fee income, right?

**Marcin Urbaszek**
Yes, that's correct.

**Ben Zucker**
Okay, That's actually really helpful, and the reason why I ask is I think a lot of your peers bury all of that through interest income, which really distorts the picture and makes it tough to identify, underlying net interest income trends.

Just lastly for me, could you just hit on the underlying credit trends within your portfolio right now? Are there are any loans that are worrisome or on a watch list, or just a general credit overview would be helpful.

**Steve Alpart**
Yeah. Thank you, it's Steve Alpart. The portfolio right now is 100 percent performing. We also do quarterly risk ratings, and right now, one of your questions was there's nothing of a risk rating that would cause concern. We've actually made some disclosure around this, and right now everything we risk rate on a scale of 1 to 5, and right now, everything in the portfolio is a 1, 2, or 3, with the bulk of it being a 2. Typically, when things get to a 1, they tend to pay off, so right now 100 percent performing with no credit concerns.

**Ben Zucker**
That's helpful, and I think most of us have grown accustomed to companies that operate in this sandbox. We get used to seeing the occasional risk level floor also, because that's just the nature of these loan projects in general. Thanks for taking my questions, guys.

**Jack Taylor**
Sure. Thank you.

**Operator**
Our next question is a follow-up from Fred Small with Compass Point. Please go ahead.

**Fred Small**
Hey, sorry, just following up on the yields that you mentioned, Marcin. How much of a difference between 485, 490 and low to mid-400s is mix versus yield compression?

**Marcin Urbaszek**
Hi, Fred, I would say it's probably both, but I would say most of it is probably yield compression. As Steve mentioned, we do have some multifamily assets in the pipeline, which tend to have lower yields, but on the flip side, we can finance them much more efficiently. But I would say largely the change is the spread compression we see in the market.

**Fred Small**
All right. Thanks.

**Operator**
This concludes our question-and-answer session. I would like to turn the conference back over to the management team for any closing remarks.

**CONCLUSION**

**Jack Taylor**
Well, thank you, Brandon, and we'd like to thank everyone for joining us today and for everyone's support for our business.  We look forward to speaking with you all again soon.  And thank you again.

**Operator**
The conference call has now concluded, Thank you for attending today's presentation.  You may now disconnect.