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TWO - Q2 2018 Two Harbors Investment Corp Earnings Call

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PRESENTATION

Operator

Good morning. My name is Candice, and I will be your conference facilitator. At this time, I would like to welcome everyone to Two Harbors Second Quarter 2018 Financial Results Conference Call. (Operator Instructions)

I would now like to turn the call over to Maggie Field with Investor Relations for Two Harbors.

Margaret Field - *Two Harbors Investment Corp. - Investor Relations*

Thank you, Candice, and good morning, everyone. Thank you for joining our call to discuss Two Harbors Second Quarter 2018 Financial Results. With me on the call this morning are Tom Siering, our President and CEO; Brad Farrell, our CFO; and Bill Roth, our CIO.

After my introductory comments, Tom will provide an overview of our quarterly results, Brad will highlight key items from our financials and Bill will review our portfolio performance. 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 Tom, 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 are based on the current beliefs and expectations of management, and actual results may be materially different because of a variety of risks and other factors. Such statements are typically associated with the words such as anticipate, expect, estimate and believe or other such words. We caution investors not to rely unduly on forward-looking statements.

Two Harbors describes these risks and uncertainties in its annual report on Form 10-K for the fiscal year ended December 31, 2017, and in other filings that it makes or may make with the SEC from time to time, which are available in the Investor Relations section of Two Harbors' website or on the SEC's website at sec.gov. Except as may be required by law, Two Harbors does not update forward-looking statements and expressly disclaims any obligation to do so.

I will now turn the call over to Tom.

Thomas Edwin Siering - *Two Harbors Investment Corp. - President, CEO & Director*

Thank you, Maggie, and good morning, everyone. We hope that you had a chance to review our earnings press release and presentation that we issued last night. Please turn to Slide 3 to review our quarterly results.

At June 30, our book value was $15.69 per share, representing a 3.4% total return on book value, inclusive of our $0.47 quarterly dividend. Core Earnings, including dollar roll income, was $0.53 per basic share in the second quarter. Core Earnings exceeded our expectations, primarily due to higher-than-expected dollar roll income of $0.09 per share.

While the current investing environment for residential mortgage REITs can be viewed as challenging, our performance this quarter underscores that there is continued opportunity. We strive to provide book value stability through a variety of interest rate environments and our strong results highlight that our diversified investment strategy and sophisticated approach to risk management is effective despite rate volatility.

Turning to Slide 4. Post quarter-end, on July 31, we completed the acquisition of CYS Investments, Inc. At the effective time of the merger, each share of CYS common stock was converted into the right to receive 0.468 shares of newly issued Two Harbors common stock and cash consideration of $0.0965 per share. As an illustrative example, if a CYS stockholder held 1,000 shares, that stockholder would have received approximately 468 shares of Two Harbors' common stock and an additional $96.50 of cash.

We believe there are 3 key benefits from this transaction for our stockholders. First, we believe the enhanced scale and liquidity of the combined company supports continued growth within our target assets, including MSR and non-Agencies. Following the transaction, our capitalization increased by approximately $1.3 billion, bringing our total capital to approximately $4.8 billion. We believe this enhanced scale and liquidity will be preferable for many institutional holders.

Second, as we continue to anticipate improved Agency spreads in 2018, we believe this deal will be accretive to our earnings.

Third, the combination of Two Harbors and CYS should create operating cost efficiencies, lowering our other operating expense ratio by approximately 30 to 40 basis points by the end of 2018. Importantly, as we've stated in the past, we anticipate that our quarterly dividend of $0.47 per share will be sustainable for the remainder of 2018, subject to market conditions and the approval of our Board of Directors.

As a reminder, as part of the merger, we declared an interim dividend of approximately $0.16 per share, which represented a partial payment of our total anticipated $0.47 per share third quarter dividend. We expect to declare the remaining $0.31 per share of our third quarter dividend in the normal course in September.

Please turn to Slide 5. The foundation of our success going forward remains rooted in our key areas of focus, each of which supports our overall goal to provide book value stability. We are committed to generating strong returns for our stockholders, and believe that our larger company will enhance our ability to do so.

Finally, I'd like to congratulate Bill Greenberg and Matt Koeppen on their promotions to Co-Deputy Chief Investment Officers. Bill and Matt have been invaluable members of our investment team for many years and will continue to work closely with and report to Bill Roth.

I will now turn the call over to Brad for a review of our financial results.

Brad Farrell - *Two Harbors Investment Corp. - CFO & Treasurer*

Thank you, Tom.

Turning to Slide 6. Our book value at June 30 was $15.69 per share compared to $15.63 at March 31. During the quarter, we generated Comprehensive Income of $90.8 million or $0.52 per basic share, which represented a return on average common equity of 13.1%.

After accounting for our second quarter dividend of $0.47 per share, we generated a return on book value of 3.4%. The growth in our book value this quarter was a result of modest appreciation in our non-Agency RMBS portfolio, driven by continued strong credit performance and the improvement in housing market fundamentals.

As we turn to Slide 7, let's review our Core Earnings results. Core earnings of $0.44 per basic common share, plus dollar roll income of $0.09 combined for $0.53 in the second quarter, representing a return on average common equity of 13.5%. Of the $0.09 of dollar roll income, an estimated $0.03 was due to specialness of the roll from our position in TBA 4.5's.

While we were pleased with our ability to take advantage of the TBA 4.5 roll specialness in the second quarter, we do not anticipate the same magnitude from roll specialness, if any, to our earnings in future quarters. Our Core Earnings also benefited from slightly higher economic leverage during the quarter, which includes the implied debt on our net TBA positions.

As we look forward into the second half of 2018, I would note a few additional considerations for our book value and Core Earnings. Firstly, as we stated in our prior earnings call, we anticipate that the acquisition of CYS will have the effect of near-term dilution to our book value in the range of 2%.

Secondly, over the second half of 2018, as we redeploy CYS' capital, we anticipate that there could be a slight drag on earnings due to the timing of moving capital from Agencies into higher-returning assets, like MSR and non-Agency securities. After the reallocation of this capital, we anticipate that our other operating expense ratio should decrease by 30 to 40 basis points.

As we turn to Slide 8, I'd like to highlight how we are optimizing and diversifying our financing profile to benefit future earnings performance. Our debt-to-equity ratio was 5.3x at June 30 compared to 5.9x at March 31. Our economic debt-to-equity ratio, which includes the implied debt on our position in TBAs, was 6.2x at June 30 compared to 6.0x at March 31.

We believe that as we continue to add MSR, which better insulates us from rate changes and non-Agencies, the majority of which are floating rate, we are better able to provide long-term stability to our earnings and book value. As a result, we are comfortable with this slightly higher level of economic leverage, though we anticipate leverage over time to drift slightly lower as we redeploy the capital from the CYS acquisition into MSR and non-Agencies.

Consistent with our historical positioning, we expect to maintain sufficient liquidity to take advantage of market opportunities as they arise in the second half of 2018.

The repo market for Agencies is functioning efficiently for us, and we continue to observe positive changes in the non-Agency and MSR financing spaces.

Non-agency financing continues to be competitive, resulting in improvements in both haircuts and spreads. In the second quarter, non-Agency financing haircuts were generally between 20% to 30%, and we are consistently seeing spreads offered between 100 to 125 basis points over LIBOR. We have extended many of our maturities past year-end, increasing our average days to maturity on non-Agency repos from 79 days at March 31 to 114 days at June 30, which we believe is a positive in both risk management and in taking advantage of these attractive spreads. We expect this positive trend to continue in 2018, benefiting returns in our Credit Strategy.

We closed on a new $330 million MSR financing facility in the second quarter. This facility has similar terms to the MSR financing facility that we added in the fourth quarter of 2017, including two-way margining, which allows us to better manage our liquidity in a changing rate environment. We had drawn approximately $150 million on this facility as of June 30 and had an additional available capacity of $180 million. On all of our MSR financing facilities combined, we had $470 million outstanding, with an additional available capacity of $350 million as of June 30.

I will now turn the call over to Bill for a portfolio update.

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Thank you, Brad, and good morning, everyone. I'd like to begin by reviewing our investment portfolio, quarterly performance and current risk positioning, then we will spend a few moments discussing the CYS acquisition and our expectations with respect to capital allocation and our hedging profile.

Let's take a look at Slide 9. As of June 30, our investment portfolio was about $21 billion, with 68% of capital allocated to our Rates Strategy and 32% to Credit. During the quarter, we allocated capital from Agency pools into MSR and non-Agency securities as we took advantage of attractive opportunities in the market. We also reduced our pool position in favor of adding TBA 4.5's. All of these actions helped drive our strong results.

Please turn to Slide 10. In the second quarter, the Fed raised rates once, the curve flattened and spreads moved intra quarter but ultimately, ended relatively unchanged from March 31. As to our performance, our annualized portfolio yield improved by 14 basis points to 3.91%, driven primarily by increased holdings of MSR and non-Agencies, as well as an increase in yields on both of these assets.

As a result, despite higher financing rates, our overall net interest spread was unchanged quarter-over-quarter at 1.93%. This strong performance also benefited from floating rate coupons on our non-Agency securities, increased MSR float income and receiving higher LIBOR on our swap positions.

In our Rates Strategy, higher rates and a flatter curve had little impact on our holdings, consistent with our expectations, given our low risk positioning. In our Credit Strategy, yields were strong, and spreads remained generally stable as residential credit continued to benefit from fundamental improvement in the housing market.

Let's turn to Slide 11 to review activity in our Rates Strategy. In the second quarter, we reduced our Agency pool holdings in conjunction with adding exposure to Fannie Mae TBA 4.5's due to the attractiveness of this coupon. Additionally, the Fannie Mae 4.5 roll traded special for most of the quarter, with implied financing costs about 30 basis points lower than repo. This specialness contributed roughly $0.03 to our Core Earnings. As Brad noted, we don't expect this magnitude of specialness to occur in subsequent quarters. We anticipate that over time, our TBA positioning will fluctuate depending upon the availability and attractiveness of specified pools relative to TBAs and any specialness in the roll market.

With respect to our MSR investments, during the quarter, we added $10.5 billion UPB through a bulk purchase and through our ongoing monthly flow-sale arrangements, and our overall market value increased to $1.5 billion from $1.3 billion. We are confident that we will continue to find opportunities to add MSR as the market for bulk packages of MSR remains quite active. This is due to a variety of factors including higher rates, difficult origination margins and the consolidation of originators. As we've discussed in the past, MSR is a key component of our hedging strategy because of the negative duration, hedge to mortgage spread risk, positive yield and benefits of float income.

Let's turn to Slide 12 to discuss our risk positioning in a little more detail. As you know, one of our distinguishing features is our acute focus on protecting book value. We actively manage our risk profile, maintaining prudent exposures to both interest rates, curve and mortgage spreads.

Looking at the left-hand side of this slide, you can see that in the rates up 25 basis point scenario, we expect that our book value would decrease by 0.7%. On the top right-hand of this slide, you can see that our net interest income would be roughly unchanged. Additionally, as a result of our substantial MSR holdings, despite owning a substantial amount of 30-year Agency MBS, our exposure to mortgage spreads remains low.

From a spread widening perspective, you can see on the bottom of this slide that if Agency spreads widened 25 basis points, we would expect our book value to be down by a relatively small 3.5%. We believe that our approach, which utilizes a variety of hedging tools is a superior approach to managing risk and provides stability in our results through periods of market volatility.

Turning to Slide 13, let's discuss our Credit Strategy. Residential credit continues to perform well, driven by an improvement in the housing market. This quarter, we increased our holdings of low dollar-priced legacy non-Agencies by approximately 18% as we saw substantial opportunity in this asset class. We anticipate that over time, these holdings will generate double-digit total returns through a combination of both strong yields and price appreciation.

We remain very constructive on residential credit and expect our legacy holdings to continue to benefit from fundamental improvement in the housing market as this leads to lower losses and higher prepayments from turnover and refinancings. We have seen this dynamic begin to play out over the past few years and expect this trend to persist. Home prices have continued to increase, driven by several factors, not the least of which is a strong national job market and increasing employment numbers.

Additionally, the supply of residential housing is expected to remain constrained, creating a supply/demand imbalance, which further bolsters home price appreciation. Analyst reports expect a limited impact on home prices from rising rates and forecast continued home price growth over the next year. All of this is consistent with our thesis on residential credit and supports continued strong total returns in this strategy.

As we turn to Slide 14, let's switch gears to discuss our acquisition of CYS and, in particular, two portfolio considerations: first, our capital allocation outlook; second, our approach to risk management.

Before the acquisition of CYS' portfolio of Agency assets, our portfolio allocation was about 70% to the Rates Strategy and 30% to the Credit Strategy. As a result of the acquisition, in the near term, our portfolio positioning will reflect an increased allocation to Agencies. Where our capital allocation goes after the CYS acquisition will depend upon the opportunities available in the market.

Currently, we see good opportunities in adding both MSR and deeply discounted legacy non-Agencies, and our intent is to continue increasing capital to these asset classes as we did in the second quarter. As a result of this, we expect that the allocation to Agencies will move downward over time in favor of MSR and non-Agencies. That said, we have been repositioning the acquired Agency assets into 30-year holdings that we think will drive strong returns.

With respect to our hedging profile, post merger, we have positioned our risk metrics to remain consistent with the low risk positioning that we have maintained over the past several years, with a very neutral posture to both interest rate and mortgage spread risk. We intend to maintain this positioning while redeploying capital with the intent of providing continued stability to our book value and income.

We are very excited about the investment opportunities ahead, which should be enhanced by our larger platform and lower expenses. We believe there will be a good opportunity to capitalize on the Fed's tapering of RMBS in the second half of 2018. Additionally, we continue to see opportunity to add MSR and deeply discounted legacy non-Agencies further driving our returns.

I will now turn the call back to Candice for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Doug Harter of Crédit Suisse.

Douglas Michael Harter - *Crédit Suisse AG, Research Division - Director*

Bill, I just wanted to touch base on one of the last comments you made about as you're redeploying the capital, taking kind of more of a neutral view towards Agency spreads. I'm just wondering if kind of what that means in terms of initial allocation. Does that mean you kind of have less Agencies? Or you've put on some hedges against those Agency spreads?

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Doug, thanks for joining us. I'm not sure I understand your question exactly. Let me see if I can answer it, and if I don't, please just restate it or add and correct me. So I think the first thing is -- to note is as of today, we've pretty much neutralized the 15-year position in favor of 30 years. And we're in the process of managing that 30-year position opportunistically in terms of TBAs versus pools. So I'd say that's the first thing. The second thing I want to make sure that's clear is that from a risk positioning in interest rate exposure, our portfolio is currently hedged to the same type of low-level exposures that we've had on the past several years, similar to what you see on Slide 12. Then in terms of allocation going forward, I think the way we think about it is it pretty much depends on what opportunities we're seeing and what we think the best returns for shareholders are. So Agency allocation obviously moved up as a result of the merger. But that said, the Agencies are more attractive today than they were 3 or 4 months ago, so we're not unhappy with our positioning currently. That being said, we still believe that MSR and Agencies are a superior approach in terms of hedging and return. And in addition, we intend to continue to grow our non-Agencies as we've seen opportunities there. So I think the best way to think about it is the Agency allocation has moved up in the short term, but that, that's going to come down as we keep growing the non-Agency position -- we discussed on the call why we like that so much, and then as we continue to add MSR. And so if I didn't cover what you asked, please tell me.

Douglas Michael Harter - *Crédit Suisse AG, Research Division - Director*

No, that covers it, Bill. And then just one question, just to make sure I understand. The higher economic leverage in the quarter, was any of that in anticipation of closing the CYS transaction? Or was it all just as you've kind of get better financing for other assets, you felt comfortable taking up the economic leverage?

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Well, yes, so that's a good question as well. So economic leverage floated up only a little bit. Part of that was, as you mentioned, anticipation. But in addition, we continue to get better terms on non-Agencies with haircuts having come down quite a bit. And so that obviously drives leverage up a little bit as well. Overall, the way we think of leverage has not changed. We continue to believe that the rate strategy is in that range of 6 to 8. And credit is typically in the low 2s. And then in addition, as you know, MSR financing, we've gotten more MSR financing, and there's higher leverage available on that as well. But our overall leverage will probably depend mostly on the mix. It is not going to change dramatically from what our -- from our historical posture.

Operator

And our next question comes from Bose George of KBW.

Bose Thomas George - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Just on the Agency side, what is the effective ROE in that business disclosure? And then the economic leverage as well, just including your TBA position, where was that just for the Agency business?

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Yes, Bose. Your line was a little bit muffled. But I think what I heard was you were asking for expected returns on the different strategies. Is that correct?

Bose Thomas George - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

The -- actually, no. Actually, that would be my second question, but actually, this time, I was just asking for the effective -- the ROE, just on the Agency strategy this quarter and the economic leverage in that Agency strategy this quarter.

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Well, so our expected -- with regard to new investments, I can tell you that our expected ROE on the Agencies only, as I've said, they've gotten somewhat more attractive. They're sort of in a very low double digits. And I guess, Bose, I'll answer your second question. Agency is paired with MSR, we see as the low to mid-double digits. And then non-Agencies, we've kind of talked about before, we expect those total returns to be in the double digits as well.

Bose Thomas George - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay, great. And then actually, on the MSR side, you guys are generally acquiring through the flow channel, you noted the bulk purchases this quarter. Are there differences just in the ROEs on the sense of getting on bulk [prices], what you're getting on usual [flow]?

Thomas Edwin Siering - *Two Harbors Investment Corp. - President, CEO & Director*

So Bose, again, we're struggling to hear. But I think we heard that, is there a significant yield differences or return differences that we're seeing between bulk and flow and the opportunities we're seeing?

Bose Thomas George - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Yes, that's right. Sorry about that. Yes, that's right.

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Yes, sure. That's a great question. So overall, let me just address the MSR market overall. Overall, the opportunities continue to be existent in tremendous size. Prices are somewhat higher than a year ago, but we see that as being consistent with not only the higher interest rates but also there's better float income. And that's a component that you have to factor in. So our flow volumes have been running in the $2 billion to $3 billion per month range, and that's been pretty consistent kind of depending on the time of the year. Bulk volumes are also continuing to run at north of $100 billion a year. So you saw that we added a little over $10 billion between the 2 of them in the second quarter. And we're looking at bulk packages pretty much all the time. And I think, as Brad noted, we've seen an improved financing for MSR, which is obviously a big positive. In terms of pricing, it really kind of depends on the package. I would say that overall pricing is not that dissimilar. Sometimes, a bulk package has a particular appeal to a particular buyer, and it might trade richer than flow. And flow, historically, has been a little bit cheaper. So we're buying bulk packages when we see something that fits us and the price is right. So I would say they're not substantially different.

Operator

And our next question comes from Steve Delaney of JMP Securities.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Bill, the MSRs, you've, and Brad, described the financing facilities up to $700-and-some million, and I assume that's facilities that had been put together with large banks. Are you guys looking at secured corporate note financing for your MSRs? And I didn't know whether that is something that, thus far, has only really worked with Ginnie Mae or if you expect to see that structure evolve into GSE MSRs as well.

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Steve, thanks for joining us. Brad and his team have done a lot of work on this, so I'm going to let him tackle this one.

Brad Farrell - *Two Harbors Investment Corp. - CFO & Treasurer*

Great question. And it's a lot of what we're thinking right now. You are correct. So we have a couple of large banks that we're working with inside on these facilities. We've been very pleased with the ability to have liquidity, that's way margining, that's quite diable when we're using MSRs as a hedge in our pools, so that feature should not be undersold. And then if you look at securitizations, there are more now active issuances that include -- have expanded into Fannie Mae and Freddie will be right there. We would expect the structures are variable funding notes or kind of fix pools, and we have evaluated both. That's the biggest challenge of what we're really trying to evaluate is the complexity on the cost of issuance and then do they meet some of the hurdles that we want, which obviously, is liquidity management, long-term financing and kind of it fits our size. So it's not a great answer to your question. We're looking at all options on the table. I wouldn't eliminate securitization as an option for us. But we're very, very happy with the structure of our facilities that we've entered in today, which is the 2 large ones.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Great. And Brad, with the facilities that you have today, should we assume that those are floating rate index to LIBOR? And that it appears most of the securitizations are being done. Obviously, they're intermediate term. It depends on the structure, but they appear to be done on a fixed rate basis. Would that be a possible benefit to securitization relative to your current facilities?

Brad Farrell - *Two Harbors Investment Corp. - CFO & Treasurer*

Not necessarily. I mean, we obviously are sophisticated in our ability to kind of move in/out of floating and fix. So I don't think we view that as a significant difference. But yes, the facilities we have today are floating spreads. So -- but, no, we don't see that as the biggest -- I think the biggest one we're really trying to evaluate is, when you do it for size, how difficult and costly is it. I mean, that's very important to factor in. Is the structure the right for us? And each of the GSEs have different or -- and Ginnie have different approaches to what they want to support. Fannie, for example, is more focused on more of a blanket lien approach, where you buy all the collateral into 1 structure. So there are just challenges -- there's benefits and challenges of each structure. And again, the two-way margining for the facilities, again, is how we're using MSR as a hedge is something that we think is quite valuable.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Understood. And Bill just a quick follow-up for you, if I may. Is there anything in new resi credit that you're watching or make the attractive? I'm thinking that we're seeing a lot of issuance -- new issuance pick up in sort of the -- in QM RMBS space. And I'm wondering what those sub-bonds might -- how they may be viewed?

William Meyer Roth - *Two Harbors Investment Corp. - CIO & Director*

Yes, sure. Yes. I mean, we look at pretty much every deal that comes out. And we have looked at a countless number of new issue credit opportunities. And to be frankly honest with you, we struggle to see how -- we struggle to find anything that is even remotely as near compelling as the legacy story. Most -- I mean, I think there will be a day where new issue will be attractive. But given the implied leverage in these deals and the spreads and the fact that most of these things are priced either at or near par, you really, frankly, have more downside than upside if things go the wrong way. And in the legacy, you've got all this upside from improving credit, lower severities, higher prepays, and we've seen that play out. And frankly, we think it's just -- it will just continue to play out. So I would love nothing more than to have said yes, we're seeing great opportunity, but it's not there yet for us.

Brad Farrell - *Two Harbors Investment Corp. - CFO & Treasurer*

One comment that's somewhat correlated to what you were -- your residential credit, I mean, we witnessed in Q2 our performance, I mean, the benefits of having a diversified portfolio. Credit was able to have us outperform on book value, at least relative to our peers we believe. And it's important kind of looking forward to -- we still see a lot of opportunity. With that in mind, kind of looking into July here, if you look at our book value at $15.69 at 6/30, we commented on our 2% estimated dilution to book value, which kind of gets you in that $15.38 range, after factoring in the merger and the adjustments and expenses. But then looking forward to July 31, we're quite pleased with our performance. We have largely covered our common dividend the both companies declared and the preferred dividend accruals. So looking forward into July 31, we're relatively unchanged to that pro forma book value that we've previously commented on. So -- and credit was part of that story.

Operator

And that concludes our question-and-answer session for today. I'd like to turn the conference back over to Tom Siering for any closing remarks.

Thomas Edwin Siering - *Two Harbors Investment Corp. - President, CEO & Director*

Thank you for joining our second quarter conference call today. We will be participating in the Barclays Global Financial Services Conference on September 13 in New York. Before we go, we'd like to thank the CYS team for their professionalism in our merger transaction, they were terrific. We look forward to speaking with you again soon. Have a wonderful day.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may all disconnect. Everyone, have a great day.
