Granite Point Mortgage Trust Inc.

Q4 2018 Financial Results Conference Call

February 6, 2019 at 10:00 AM Eastern

CORPORATE PARTICIPANTS

Jack Taylor – *President and Chief Executive Officer*

Steve Alpart – *Chief Investment Officer*

Marcin Urbaszek – *Chief Financial Officer*

Steve Plust – *Chief Operating Officer*

Chris Petta – *Investor Relations*

PRESENTATION

Operator
Good morning. My name is Phil, and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point Mortgage Trust's Fourth Quarter 2018 Financial Results Conference Call. All participants will be in a listen-only mode. After the speakers' remarks there will be a question-and-answer period.

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

Chris Petta
Thank you and good morning, everyone. Thank you for joining our call to discuss Granite Point's fourth 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 summary of our business activities and a brief recap of market conditions. Steve Alpart will discuss our fourth quarter originations 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. We would like to welcome you all and thank you for joining our call to discuss our fourth quarter and full-year performance.

2018 was an excellent year for Granite Point. Our business experienced strong growth across the board. With our deep bench of talent and extensive expertise on both sides of the balance sheet, we successfully executed on our strategy and delivered strong results to our shareholders. We directly originated $1.6 billion of new senior floating rate loans, up 30% from 2017. We grew our investment portfolio by 36% to over $3.2 billion of outstanding principle balance. To support our strong asset growth, we grew and diversified the structure of our borrowings while reducing our overall cost of funds. We executed our inaugural CLO securitization to secure efficiently priced, term-matched, nonrecourse and non-mark-to-market financing. We established a new short-term financing facility to provide greater flexibility in managing our liquidity and loan closings, and we raised additional growth capital by accessing the capital markets. All of our activity resulted in substantial growth in our core earnings and dividends over the course of the year, driving shareholder returns. In the fourth quarter, we generated core earnings of $0.40 per share and declared a common dividend of $0.42 per share, which we believe provides an attractive current yield to shareholders.

In addition to all the portfolio and financing-related activities, we have advanced our overall platform across various business functions, including originations, capital markets, and financial reporting, among others. Notably, we have further developed our asset management function, an essential part of our business. This is led by a senior executive with some 30 years of commercial real estate credit experience, including senior roles at rating agencies and over 10 years as the senior credit officer at a major investment bank. We have built one of the leading commercial real estate finance platforms and are confident that it will continue to deliver strong results.

Our robust 2018 performance was highlighted by record originations in the fourth quarter. We closed 18 new senior loans with approximately $670 million of total commitments. Our strong originations achievement combined with limited prepayments resulted in significant portfolio growth. With our record fourth quarter loan closings and our forward pipeline of over $200 million of loans, we have largely committed the capital we raised in October, when we issued over $130 million of convertible notes. We continue to see a healthy flow of attractive investment opportunities meeting our return and credit requirements. As a result, we accessed the capital markets again last week and executed our first common stock offering since our IPO by selling 6.85 million shares for total proceeds to the company of approximately $130 million. This successful offering grew our equity base by 16% and provided us with fresh capital to support further portfolio growth as we continue to gain more scale. We maintain access to ample sources of capital to fund and grow our business through both capital markets activities and a diversified set of lending counterparties. When managing our funding mix, we have a wide range of options available to us, such as CLO securitizations and additional types of fundings.

Overall, the real estate lending markets continue to be attractive. The credit quality of the loans we originate remains strong and market lending standards are generally rational. Property valuations overall continue to improve and are supported by sound fundamentals and strong macroeconomic trends. We believe that the volatility that impacted the broader markets in the fourth quarter may once again enhance the view of commercial real estate as a safe haven asset. Since the beginning of the year, we have seen an improvement in overall market sentiment and tone, suggesting cautious optimism. Competition for loan assets remains active, though we have seen a moderation in the compression of the loan spreads and even a widening in some instances. This is especially true with regard to the assets that are more suitable for CLO securitizations and is likely a result of the market volatility in the fourth quarter. As the markets have been stabilizing recently, we have been able to continue to source ample attractive investment opportunities for our portfolio, in part, we believe, due to our differentiated origination strategy and our reputation as a reliable counterparty built through the relationships our team has developed over decades of lending.

Our business continues to grow and mature, and we are confident that our strategy, supported by our high-quality platform, will deliver attractive risk-adjusted returns to our shareholders over time. We are off to a great start in 2019, and we look forward to another strong year for Granite Point. Now, I will turn the call over to Steve Alpart to discuss our investment activity in more detail.

Steve Alpart
Thank you, Jack, and thank you all for joining. We appreciate your time this morning. I'll spend a few minutes reviewing our fourth quarter originations, our forward pipeline, and our portfolio.

Following solid portfolio growth in the third quarter, we were able to build a large investment pipeline for the fourth quarter, generated by our highly capable direct origination platform. By taking advantage of the many attractive investment opportunities available to us, we accelerated our pace of capital deployment in the fourth quarter and largely committed the new funds we raised in the October convertible bond offering. In the fourth quarter, we closed 18 new loans with total commitments of approximately $670 million, representing the highest volume of loan closings we've had in a quarter since the inception of our business. Our total fundings in the fourth quarter were approximately $487 million, comprised of about $444 million of initial fundings for the new loans, about $41 million from our pre-existing loan commitments, and $1 million from upsizing two existing loans. The loans we closed in the fourth quarter are secured by existing, high-quality, income-producing properties across our target markets and are well diversified across property types. They have a weighted average LTV of 65% and a weighted average yield of LIBOR plus 3.83%, reflective of property type mix and general market trends. We were very pleased to add high-quality loans in the industrial sector, increasing our portfolio allocation from 8% to 11% and providing us with additional diversification. Overall, our ability to actively participate in the lending markets and produce attractive investment opportunities, which meet our credit underwriting standards, and target returns, highlights the strength of our platform and the longevity of our relationships with high-quality borrowers.

As we disclosed in December, we had anticipated a low-level of prepayments and amortization, and we realized only about $28 million, which contributed to very strong portfolio growth in the fourth quarter. The low level of prepayments over the last two quarters, less than $60 million combined, can be partially attributed to our overall active portfolio management. In addition to continuously monitoring our assets from a credit perspective, we are also focused on preserving attractive investments in our portfolio by actively reviewing opportunities to amend loans on properties that are in the later stages of their business plans. We anticipate prepayments in the current quarter to be higher than the very low levels we realized over the last two quarters, though it is difficult to predict their exact amount and timing. As our portfolio seasons, we continue to believe that it will likely pay off at an annual rate of approximately 25%.

At quarter end, our outstanding portfolio principal balance was $3.2 billion and $3.9 billion, including our future funding commitments. Our investments continue to exhibit strong credit quality with a weighted average stabilized LTV of 63% and a weighted average asset yield at origination of LIBOR plus 4.83%. Senior loans comprise over 97% of our investments and our portfolio is 98% floating rate, which positions us well for rising short-term rates. Consistent with our investment strategy, our portfolio remains diversified across geographic markets, both major and non-major markets, as well as by property type and sponsorship. The portfolio remains weighted toward the office and multi-family sectors, and we don't foresee our overall property-type allocation changing significantly in the near term.

The number of attractive investment opportunities our platform can source remains robust, and the market offers a healthy flow of transactions that meet our required underwriting and return criteria. Our record originations and low prepayments in the fourth quarter combined with our forward pipeline resulted in significant capital deployment, which drove our decision to again successfully access the capital markets in the current quarter. We prudently raised approximately $130 million of common equity, which will allow us to further grow our business and realize benefits of larger scale. In the first quarter, we have made total commitments of over $200 million on new senior floating rate loans with initial fundings of over $190 million. We have already funded over $140 million of loans and expect the remainder to close later in the first quarter, subject to the typical closing conditions. With the new capital, we will further grow our investment pipeline and expect the new funds to be deployed over the next two-to-three quarters, depending on the level of prepayments we may realize going forward.

In summary, we had a great 2018 highlighted by the strong fourth quarter performance and look forward to continued success executing on our business strategy and delivering attractive returns to our shareholders in the coming year and beyond. 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. Thank you for joining our call. Over the next few minutes, I will review our financial metrics, as well as our capitalization and leverage.

Our GAAP net income for the fourth quarter was $16.7 million, or $0.38 per share and $63.1 million, or $1.45 per share for the full year of 2018. Our core earnings were $17.2 million, or $0.40 per share for the fourth quarter and $66.3 million, or $1.53 per share for the full year. Taxable income for the fourth quarter was $0.41 per share and $1.76 per share for the full year. As a reminder, the difference between our GAAP and taxable income has been mainly related to the GAAP-to-tax differences resulting from our formation transaction at the time of our IPO. We declared a fourth quarter dividend of $0.42 per common share, which brought our full-year dividend to $1.62 per share. We believe that our dividend offers an attractive current yield to our investors. Our book value at December 31st was $18.97 per common share and was affected by the dividend exceeding our earnings.

Our earnings and dividends improved significantly over the course of the year, largely as a result of the successful deployment of our available capital, higher LIBOR, and lower financing costs. As mentioned earlier, our record originations in the fourth quarter combined with our current pipeline have largely deployed our available capital. Since we continue to generate healthy flow of attractive investment opportunities, to support further growth, last week we decided to access the capital markets and raised $130 million of equity in our first common stock offering since our IPO. The offering was executed at $19 per share to the company, which is above the December 31 book value per share. As we deploy the new funds over the next two-to-three quarters, we would expect to see a temporary earnings drag associated with this common equity offering.

At December 31st, our portfolio was 100% performing with no impaired, non-accrual, or maturity defaulted loans, although two loans with a combined total balance of approximately $37 million were moved to a risk rating of 4 during the fourth quarter. We don't currently expect to create any loan loss reserves for either of these loans.

At quarter end, we had approximately $1.5 billion outstanding on our repurchase agreements and a total borrowing capacity of $2.3 billion across five financing facilities with large institutions. The cost of financing on our newly originated loans continues to improve and contributed to a decline of eight basis points in the overall interest rate on the total outstanding balances of our facilities quarter over quarter. In addition to issuing the convertible bonds in October, we also temporarily upsized our short-term financing facility to $105 million at December 31st and subsequently to $150 million in January to help us manage the large volume of loan closings.

We are very pleased with our current mix of funding alternatives. We are actively evaluating various options available to us to further diversify our balance sheet and optimize our cost of funds, whether through additional securitizations or other forms of secured and unsecured financing instruments. We ended the fourth quarter with a debt-to-equity leverage ratio of three times, including nonrecourse CLO debt. We anticipate maintaining our leverage around this level, but it may vary quarter-over-quarter, depending on our overall balance sheet activity. We believe that this is a prudent level of leverage, given our investment strategy and current market conditions, but we may adjust it accordingly, if those conditions should change.

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 one (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 two (2). At this time we will pause momentarily to assemble our roster.

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

Jade Rahmani
Thanks very much for taking the questions. I was wondering given the volatile backdrop that played out in the fourth quarter if you could give any color perhaps on December and January volumes? Was there any pause or disruption in the market from the volatility, and also did you see any forced sellers, perhaps debt funds that had originated loans with anticipation of securitization and that market not being available, being forced to sell those loans?

Jack Taylor
Hi, Jade. This is Jack Taylor. Good to speak with you. Thanks for the question. It was a very interesting period. I'll try to be succinct in describing what happened. The CLO market did freeze up and CMBS prices widened out. Many people, including ourselves, became cautious during that period. It's one of the reasons our early first quarter pipeline is a little lower as we waited through that period, though things picked up pretty quickly by mid-January, I would say as a result, there was, a small reduction in volume across the board and certainly it was true for us, because of the market volatility and the uncertainty as to what was going on with the government shutdown and other factors. I do not believe that there was any significant or any at all forced selling for people that were teeing up for securitizations. And, I would say that the CLO spreads, the CLO market freezing up, widening out, in anticipated resurgence of the CLO market caused that CLO-oriented asset to bid wider during that period of time, and that's come back in a little bit, but it did reset out a little bit wider.

Jade Rahmani
Okay. Regarding the two loans that were moved to risk 4 rating, can you give any geographic and product-type–property-type color on those two loans, the anticipated resolution timeframe, and how you think it will play out?

Steve Alpart
Good morning, Jade, it's Steve. Thank you for your question. Let me first start with a reminder that we have a very active and proactive asset management process. There's always going to be some movement in our transitional loan portfolio as properties progress through their business plans. With a large number of loans, it's natural that some of them will be ahead of schedule and some behind schedule, and that's just a normal part of the business. With respect to your question

on these two assets, one of the loans is secured by an apartment building with ground floor retail in New York. That property is currently undergoing a renovation plan. The second loan is secured by a hotel in California. I think Marcin mentioned earlier, the two loans have a combined balance of about $37 million, that's about 1% of our portfolio. And, just as a reminder for you and for everyone else, a risk ranking of 4 for us indicates the loan was higher risk. It does not mean that the loan is impaired or that a loss is likely, and as Marcin said, we don't expect to create any loan loss reserve for either of these loans. And then, just the other thing I want to mention is that in January last month, January 2019, we got two independent third-party appraisals for each of these loans, which confirmed our view that the loans appear to be well collateralized.

Jade Rahmani
What's the average LTV of the loans?

Steve Alpart
What I would say is that they're well secured, based on the recent appraisals, and I probably don't want to go into specifics on specific LTVs.

Jade Rahmani
And what's the timeframe for resolution?

Steve Alpart
Timeframe for resolution, you know, we probably don't want to get into specifics other than saying that both the loans are current on debt service. They're both well secured. As part of our ongoing active asset management process, we probably don't want to go into the specifics on timeline at this time.

Jade Rahmani
Okay. The one loan that is funding debt service out of interest reserves and other cash reserves, I guess, how much capacity is there? When will those reserves be exhausted?

Steve Alpart
Right. So, that one, as you alluded to, we have with all of our loans, we build in a lot of structure, there's a lot of reserves built into these loans. For that specific loan, we have reserves that have built up from property cash flow from a property cash flow sweep, and that's the source of the payment for the debt service. As far as the time line, it's really a function of property performance and other factors, so it's just very difficult to predict how long that would last.

Jade Rahmani
Okay. Any other credit migration post year-end that would be notable?

Steve Alpart
Not really. I mean, overall I would say that the credit of the portfolio is stable and in the broader context, we've already talked about that we would expect to see some migration, but overall the credit of the portfolio at this time is stable.

Jade Rahmani
Okay. Thanks for taking the questions.

Steve Alpart
Sure.

Operator
Okay. The next question comes from Ben Zucker with BTIG. Please go ahead.

Ben Zucker
Good morning, everyone. Thanks for taking my questions and congratulations on a strong close to 2018.

Jack Taylor
Thanks.

Ben Zucker
Just thinking about your liquidity, how long do you think it will take you to work through your available capital? I know you've already gone through the convert proceeds, which was nice and quick. And, looking at the year-end balance sheet, you had about $90 million of cash on hand, and then you raised another $130 million or so. So, I'm thinking you have capacity for like $700 million or so backing out then, whatever you just said you funded year-to-date, $140 million. So, do those numbers sound right, maybe like $550 million of fresh proceeds and then some kind of timeline for deployment there?

Marcin Urbaszek
Hi, Ben, it's Marcin. Thanks for joining us and also for the question.

Ben Zucker
Hi, Marcin.

Marcin Urbaszek
I would say, yes, you're probably right. We probably have some $700 million plus or minus. It all depends, obviously, on the type of assets we originate and also whatever prepayments we may receive. I would say two-to-three quarters, again depending on prepays, we're probably two-to-three quarters before the capital is invested and the results are reflected in our earnings.

Ben Zucker
That's helpful, Marcin. Thanks. Just turning to the financing side of the balance sheet, what are your thoughts on the CLO market as we sit today? And, I ask because spreads have pushed a little bit wider from when you guys completed your last deal in May of 2018. And, it feels like the repo and warehouse rates have really only come in. So, I'm just wondering on the margin how you view those two financing sources right now.

Jack Taylor
Hi, thank you. This is Jack. As we've said in the past, we think that the CLO carries many benefits as one of our financing tools. And, we have positioned Granite Point as a repeat issuer in the CLO market as we grow, because we believe that many of our assets, and I'd say our organization platform generally fit very well within the CLO context. So, we're constantly evaluating that market, especially in light of our successful first execution. And, as part of that evaluation, we do compare it to A-note sales, warehouse lines, and the cost of funds within the CLO market. So, I would say that our experience has been that the CLO market provided a lower cost of funds throughout the year and warehouse lenders matched, maybe sometimes on a trailing basis, but matched that. They held firm through the December turmoil and, in general on their cost of funds and they're aggressive to our cost of funds, meaning low cost for us, and the CLO market is reopening. And, while it's wider than it might have been in May of last year in June, July we think it still is a competitive market.

Ben Zucker
And, obviously, you pick up some nice benefits there like nonrecourse and non-mark-to-market. So, I hear you on the benefits of the CLO market.

Jack Taylor
Right. It is. It can be a lower cost of funds, and it is certainly non-mark-to-market non-recourse leverage.

Ben Zucker
From an underwriting perspective, and I'm not even thinking about the spreads on the loans. But, has there been any notable change in the underwriting criteria that you've witnessed over the last year or two in the market, and I'm thinking with respect to like in-place debt yields, debt service coverage, those kinds of metrics?

Steve Alpart
Hi, Ben, it's Steve. Not really. The underwriting on every loan is going to be tailored to that loan. But, the overall metrics, the things you mentioned, LTVs, debt service coverage ratios, debt yields, no significant changes.

Ben Zucker
Very helpful. And, then last one and this is just real quickly. I know you guys put in the stock repurchase program for two million shares like you were anticipating the December volatility. Did you use any of that authorization, because I know you also had a full pipeline, so just wondering how capital allocation went?

Jack Taylor
Yes, we did not use any of it.

Ben Zucker
Got you. Okay, that’s it from me, guys. Again, great quarter and thanks for taking my questions.

Jack Taylor
Thank you.

Marcin Urbaszek
Thank you, Ben.

Operator
The next question comes from Arren Cyganovich with Citi. Please go ahead.

Arren Cyganovich
Thanks. With respect to the prepayment comments, you indicated that it’s likely going to be higher, in the second half obviously they were very low. But, what’s your outlook for the full year? And, I know you said around 25% kind of once everything is kind of fully invested. Are we getting to the point where you would expect to be around that level for 2019?

Steve Plust
Arren, this is Steve Plust. Let's just address Q1 for a moment. We've had something like $100 million of prepays so far, and we wouldn't be surprised to see somewhere around $50 million to $100 million more for the quarter. Forward projections of prepayments for a full year are harder

to do. But, as our portfolio is maturing, we would expect something like 25% plus or minus of the portfolio to prepay per year. As we've done in the past, to the extent we can opportunistically work with borrowers whose business plans haven't quite matured to adjust loans to meet their needs, we'll do so as well prospectively.

Arren Cyganovich
Okay. And then in terms of the amendments that you may do in the portfolio, I guess how do you balance that? How do you balance the potential yield hit with losing the loan and also do you book amendment fees associated with that whenever you do amendments?

Steve Plust
This is Steve again. I'll let Marcin talk about booking fees. But with respect to an asset that we've got in hand that we like the credit and we understand, we feel that we've got a competitive advantage against the market because we've got pre-existing documents and we've got exit fees to work with. So, any re-cut terms we think ought to be good or better than market terms for that loan had the borrower gone out to the free market and tried to refinance.

Marcin Urbaszek
Hi, Arren, it's Marcin. In terms of fees, every situation is obviously different and depends on particular circumstances, but we do get fees. I would say they are somewhere between 0 and 25 basis points. Again, it depends on the specific situation.

Arren Cyganovich
Okay. I guess, and also just in terms of the market itself, are there any types of property types that you're favoring? I know you tend to focus more on office, multi-family, and industrial currently in the portfolio. Are there any areas that you're more or less attracted to right now?

Steve Alpart
Hi, good morning, it's Steve. What we have seen in the last two quarters and going forward I think will look very much like what we've been doing in the past. You can see from the presentation that about two-thirds of our portfolio at 12/31 is office and multi-family. We continue to like those two sectors, as we've mentioned in the past. We're continuing to be selective on retail and hotels. But, as you've seen, from time to time we will make investments in those categories. We're always looking for more industrial. We did do a couple of industrial loans in the fourth quarter that modestly increased our exposure, as we mentioned, from 8% to 11%. So, I mean that's kind of what we're seeing. Just some quick commentary, and then some of the property types that we've stayed away from like healthcare, construction loans, land loans, we're not, you know, steady-state, no change in how we're looking at those.

Arren Cyganovich
Okay. Thank you.

Operator
The next question comes from Rick Shane with JPMorgan. Please go ahead.

Rick Shane
Hi guys, thanks for taking my questions this morning. I just want to talk a little about a couple of things that are impacting net interest income. I am curious if there was a timing differential, obviously the convert was done early in the quarter, and I'm wondering if the originations were more back-loaded as we moved through the quarter?

Marcin Urbaszek
Hi Rick, good morning, it's Marcin. Thank you for joining us. Yes, there was definitely some timing difference. I would say majority of our loans closed later in the quarter. Obviously, we raised the capital in the first half of October, so there's definitely some drag on the net interest margin from recognizing the interest expense sooner than the interest income from the loans that close later in the year.

Rick Shane
Got it. Okay. Second question, and again related to NIM. When you think about how your assets and liabilities reprice related to movements in one-month LIBOR, is there any timing differential that we should be aware of? Do some reset faster or slower than others?

Marcin Urbaszek
No, not really. They generally reprice around the same time. There is no real mismatch there.

Rick Shane
Got it. And, then last question. Is the trade-off with the slower repayments help in terms of building the balance sheet? Is the trade-off that the gap between your stated cash coupon and your all-in origination yields narrows if repayments are slow because there is less accretion of fees associated with that? So, if we were, for example, to see repayments pick up, would we also see a little bit of pickup in that all-in yield?

Marcin Urbaszek
I think, yes. Look, when the loan repays and it's before its date of maturity, we obviously recognize. We bring in the remaining yield accretion forward, so there is some of that effect.

Rick Shane
Got it. And I'm going to drill in a little bit more on that. So, when I look at the portfolio, you show a cash coupon of 4.06, you show an all-in yield of 4.83 that assumes that makes an assumption in terms of repayments. Presumably, over the last two quarters your repayment schedule your repayment has been appreciably slower than what you had scheduled when you provide that data. What sort of drag do you think it's creating in terms of basis points between cash coupon between the expected all-in yield and the actual all-in yield?

Marcin Urbaszek
Just to clarify something. When we report our yield, these are yields at origination and we do not project prepayments. When we publish these numbers, we don't project future funding. So, if we have a loan that's three plus one plus one, this is a three-year maturity loan that amortizes all the fees over three years. And, even if the loan has future fundings in it, we do not assume that those future fundings get funded. So, it's a relatively straightforward yield calculation, as it is at origination. We do not adjust those numbers for any changes to the loan itself. So, hopefully that helps.

Rick Shane
That actually helps immensely. Thank you. I was looking at it actually in reverse. So, thanks, that helps.

Marcin Urbaszek
You’re welcome.

Operator
Okay. Again, if you have a question, please press star (*), then one (1).

The next question comes from Stephen Laws with Raymond James. Please go ahead.

Stephen Laws
Hi, good morning. Thanks for taking my questions. Jack, I guess, a couple of questions, and a lot of this has been touched in previous questions. But, you guys have talked a lot about repayments early this year as well as kind of thoughts on the full year. Are there any lumpiness or seasonality to that, specifically your assets 3, 4, and 10 on your breakout look like they were originated in late '15 or early '16? Are those all three-year investments with two one-year extensions or I guess how should I think about the lumpiness or seasonality around the repayments this year?

Jack Taylor
Okay. So, as I am trying to find assets 3, 5, and 10…

Stephen Laws
It's 3, 4, and 6, I think.

Jack Taylor
3, 4, and 6, you said, okay. With respect to the seasonality, there's no seasonality, but there is vintage, right? So, the further along an asset is in its life of its initial term, the more and more likely it's progressed on its business plan. And, the fact is that, when that is coming closer, you know, a 2016, I would say, all other things being equal will increase in likelihood over say a 2017 or a 2016 prepayment. Is that what you're getting to when you say seasonality?

Stephen Laws
Yes, just lumpiness to the year. Are there any of these larger loans that you breakout on this table that you do expect to pay off? And, if so, are those, any insight into as to when that will occur?

Jack Taylor
So, to be very specific to say, I would say, we're not going to predict on any specific asset when it could come. We try to give you within the best of our knowledge when we say, like Steve Plust did, that there's 100 that's happened and there's another 50 to 100 that we anticipate will happen. That could encompass a large loan or not. I would say that now that I have this list, we do have one asset, number 6, that I think it's fair for us to say it has prepaid. And so, that you know, and the two others, I don't want to comment about when they might or might not prepay.

And, another thing I'll say is that when we're looking at an asset that is coming up, just to remind you, last year we did this a significant number of times where, because it was to the benefit of the company's yield, we did negotiate to extend term on the loan that might have otherwise refinanced away from us. I know that complicates your modeling to say, if it's at the 2.5-year mark and it's large, maybe I should anticipate a prepayment soon. Even if it's coming up to its initial term, doesn't mean it is necessarily done with its business plan. But, I'd just caution you on some of these assets, we will rework the loan with the borrower.

Stephen Laws
Great. I appreciate the comments around that. Jack what's your outlook on the Fed? Where do

you see them going? Whether it's tightening or easing later this year? And, kind of given a year ago, even a couple of quarters ago, it looked like continued tightening, now I think that that their view on the outlook of short-term rates has changed. Has that impacted your underwriting at all? Are you guys utilizing LIBOR floors? If so, where are those in your new originations? Can you maybe talk about your outlook on short-term rates?

Jack Taylor
The first comment is I've learned over the years to not have a firm prediction about what the Fed's ever going to do.

Stephen Laws
I understand that.

Jack Taylor
Right. And so what I'll talk about is how do we react and how do we position ourselves. So, even though the pace of any Fed rate increases is rather uncertain and in fact, some of the market is believing that LIBOR will come down, our view is that it's still best to be positioned for rising rates and we're not really hurt by lowering rates. That's from a yield perspective. So, we are, as you know, well-positioned for rates to rise. And, one of the things I will say is that the Feds increasing the short-term rate and putting upward pressure on LIBOR resulted in some of that was just direct impact on our yields, it also had an indirect impact in that it cushioned against some of the spread compression that was happening.

So, it wasn't a one-for-one. If LIBOR was up 25%, our yields would not be up 25%. Similarly, we think if LIBOR were to go down 25%, there may be a little bit of a lessening of the spread pressures. So, it's not always a one-for-one correlation. My personal view is that the Fed has supported the markets here in December by signaling that they're not going to go on a rate increase and but they need to do so over time and that they will, but whether or not it's happening in 2020 or 2021, or 2022 in any significant fashion is yet to be known. And, I do think what they've said has made it pretty clear that it's going to be gradualist and incrementalist, because of market reactions to it.

We do have LIBOR floors. We've been raising them with LIBOR, and now I would say the range is 190 to 225 on the floor.

Steve, were you about to say something?

Steve Alpart
Yes, I would say typically now it might be around 200 basis points plus or minus 10 to 15, 20, around that.

Jack Taylor
Yes. So, our loans have floors.

Stephen Laws
Great. Appreciate the color there. And, then Marcin, one question. The tax core difference due to the assets at the formation transaction, can you talk about how much remaining taxable income is left to accrete into earnings and over what timeframe you expect those formation assets to run off and when we'll see the realization of that?

Marcin Urbaszek

Sure. Like we said before, it's largely we're largely done with that. I don't think, there's just a few million dollars left, but I don't think this should affect our financial results significantly going forward. So, it'll probably just be noise, it shouldn't be very significant impact to us.

Stephen Laws
Great. Thank you. Appreciate you guys taking my questions and look forward to talking to you later today. Take care.

Jack Taylor
Thank you.

Marcin Urbaszek
Thank you.

Operator
Seeing no further questions, this concludes our question-and-answer session. I would like to turn the conference back over to Jack Taylor for any closing remarks.

CONCLUSION

Jack Taylor
We'd like to thank everyone for joining us today and we really appreciate your support of our business and we look forward to speaking with you all again soon. Thank you.

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