



March 29, 2021

Investors and Friends,

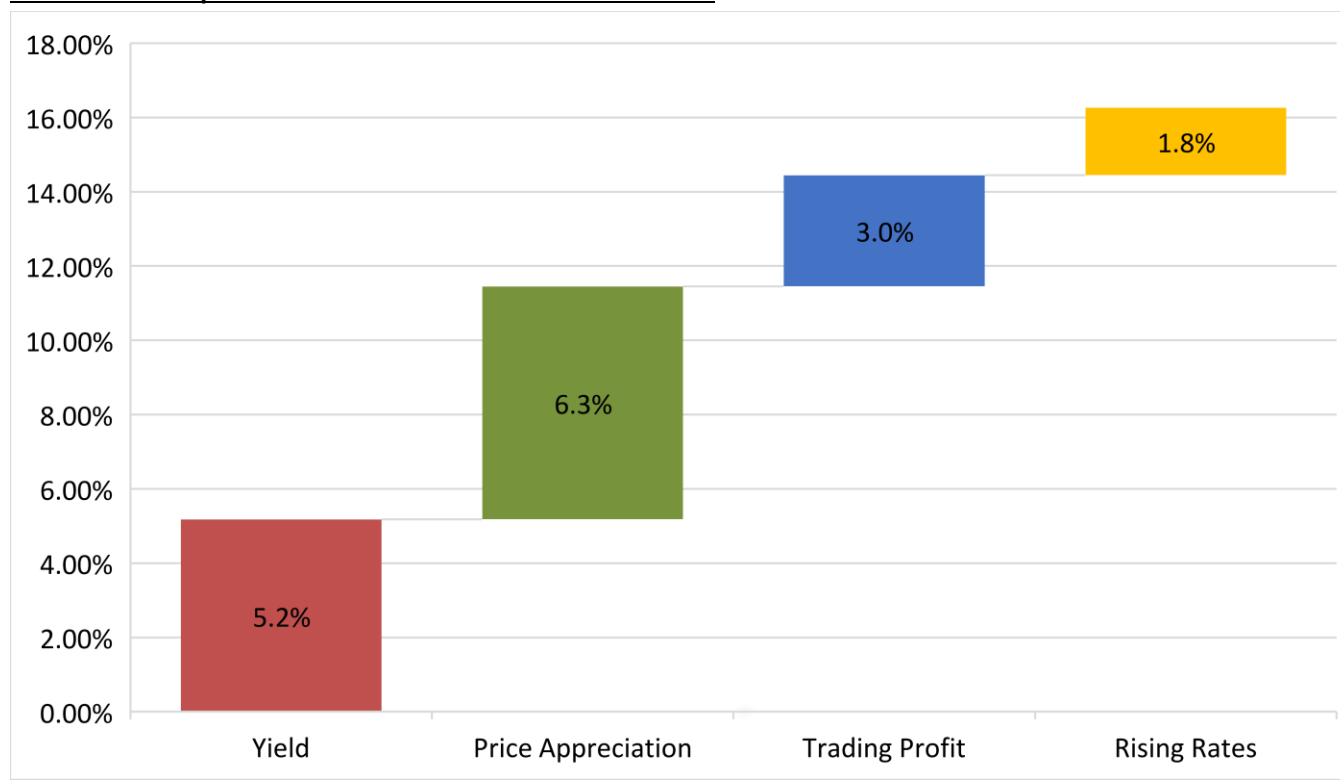
In this letter, we will discuss:

- Recent Performance
- Returns Expectations Over the Next 6-12 Months
- Market Commentary & Non-Agency Specific Commentary
- Regan Mutual Fund

Recent Performance

Regan Credit Opportunities Fund (“RCOF”) was up +1.78% for February, net of fees. Our loss-adjusted book yield sits at 5.20%. We project an additional 6.3% of upside in price appreciation. We continue to outperform our targeted trading profit of 3% over the next year after returning over 0.50% (6+% annualized) in trading profits over the last month. The portfolio stands to benefit an additional 1.8% to a 25bp-50bp rise in interest rates. A further rise would additionally push our book yield higher. We estimate returns over the next 12 months to be +16.3%.

RCOF Return Expectations for the Next 12 Months +16.3%



Source: Regan Capital; estimates as of February 26, 2021.

Market Commentary

On our most recent investor call we discussed how investors should be compensated for taking on three key risks: liquidity risk, credit risk, and leverage risk. Our current portfolio is layered to produce what we consider to be a higher risk-adjusted return when looking at these interrelated metrics.

Liquidity Risk: We maintain a portfolio that's 90+% senior in the capital structure, 15+ years old and backed by loans where the borrower has over 40% of equity in their homes. Our liquidity position is bolstered by low structural leverage (90% of positions are senior in the capital structure) and our very limited utilization of financing. By removing financing liabilities, we mitigate our risk of being a forced seller in a period of market turmoil.

Credit Risk: We underwrite our portfolio monthly to arrive at our current loss-adjusted book yield of 5.20%. This process involves using the most recent trustee data on each individual line-item and adjusting our prepayment/loss assumptions to forecast how each position will perform. The 5.20% yield figure is markedly lower than our carry numbers over the last few months because we are purposefully onerous in our assumptions. Our base run liquidates ~90% of all loans over 60 days delinquent. Actual cure rates are higher than our projection and loss severities are lower, buoyed partially by strong HPI. In short, we feel very confident that we are adequately pricing the portfolio credit risk.

Leverage Risk: The current portfolio leverage sits at only 4% and we have not elected to use funding for any new purchases in 2021. Our current leverage utilization rate is the lowest level since the early inception of RCOF in 2015.

IG Legacy RMBS bonds are trading at +100-150 spread. Assuming a +125-spread purchase, we breakdown the yield to maturity, using leverage on a relatively "safe" asset.

Investment Amount	7,500,000				
Discount Margin	125		Equity	750,000	
Repo Rate (Libor +)	70		Loan	6,750,000	
Haircut	10.0%				
			Yield	102,019	
			Loan Cost	54,692	
			Profit	47,327	
			Levered Yield	6.31%	

Investing at a +125 spread and taking on 10x leverage to only get 6.3% yield is not worth it, in our eyes. Not when we can achieve a 5+% yield, unlevered. Investing and financing assets also ties up capital and prevents us from actively trading those positions.

Liquidity Buckets and Risk Curves

If the base case yield is 5% of a short-term investment, what premiums are required to go out the curve in terms of risk and liquidity?

Base Case	5%				
Liquidity	90 days	1 year	3 years	5 years	10 years
Premium	2%	4%	6%	8%	12%
Yield Target	7%	9%	11%	13%	17%
Example	Hedge Funds	Private Debt	Opportunity Funds	Real Estate	Private Equity
Credit Risk	Medium	Medium-High	High	= In our view, current market rates do not compensate for risk	
Premium	3%	8%	15%		
Yield Target	8%	13%	20%		
Example	High Yield	Distressed	Venture		
Leverage	25%	100%	400%	600%	2000%
Premium	1%	3%	8%	10%	12%
Yield Target	6%	8%	13%	15%	17%
Example	Closed-End Funds	Hedge Funds	Real Estate	Private Equity	Subordinate Bonds

Non-Agency Commentary

Spreads across Non-Agency products moved marginally wider to start the month as investors grappled with the prospect of a continued rise in rates. Following the mid-month dovish commentary from the Fed, prices settled in slightly wide of the all-time highs seen in February. Legacy RMBS BWIC volume spiked the first two weeks of March and was absorbed without incident as institutional buyers continue to seek exposure to mortgage credit.

After peaking at 9% in April/May 2020, US Mortgage holders seeking forbearance hit a post-covid low of 4.9% on March 19th. More than 42% of borrowers who originally sought forbearance have now exited the program, and over half of those original borrowers are working their way towards current.

Regan Mutual Fund

Regan's mutual fund launched on October 1, 2020. Please [visit our website](#) or [contact us for more info](#). We just got approved on the Schwab Platform for RIAs and are in the process of getting approved on the Pershing platform as well. For Schwab, purchasing RCIRX should be point and click.

Appendix

We have appended some charts and commentary to this letter. On the non-agency side, we will cover spreads and new issuance. On the agency side, we will cover rates, issuance, affordability, and spreads.

As always, please reach out if we can answer any questions or be of service.

Kind regards,

Skyler Weinand, CFA
Founder & CIO
Regan Capital, LLC

Disclosures:

References to indices are provided for reference only. Regan Capital's historical performance returns presented herein may contain unaudited estimates and are subject to revision. Past performance is not an indication of future results. Any projected results or rates of return are hypothetical and based on certain assumptions. A number of factors, including changes in market conditions (including liquidity), the adoption of similar strategies by other market participants (including some with greater resources than the Funds) and the overall availability of investment opportunities (within a particular asset class or across asset classes) will cause actual results to vary from projected results. Actual results may underperform and/or substantially vary from projected results. Any forward-looking statements contained in this document are necessarily based upon speculation, expectations, estimates and assumptions that are inherently unreliable and subject to a number of uncertainties and contingencies. Forward-looking statements are not a promise or guaranty about future events. The Adviser and its affiliates have no obligation to disseminate any updates or revisions to forward looking statements in the event of any change in events, conditions or circumstances.

Appendix

Non-Agency RMBS Performance Trends

Non-Agency Credit Spreads					
Benchmark	Sector	2/27/2021	3/6/2021	3/13/2021	3/20/2021
DM (1month LIBOR)	CRT BBB	63	81	81	82
DM (1month LIBOR)	CRT BB/B	247	286	286	280
OAS	Prime JUMBO	87	90	115	105
Swaps	NQM AAA	65	75	70	75
Swaps	RPL AAA	60	60	65	65
Swaps	RPL BBB	160	155	150	140
DM (1month LIBOR)	SFR AAA	88	83	79	79
DM (1month LIBOR)	LEGACY RMBS	289	275	275	268

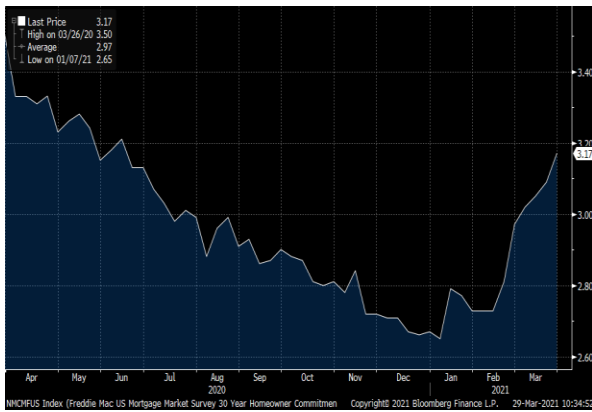
Source: JP Morgan, Nomura

New Issue Activity (\$billions, as of March 22, 2021)					
Sector	2018	2019	2020	2021	2021 Projected
CRT	17.8	19.93	18.00	5.00	32 to 40
Prime 2.0	17.36	17.49	17.00	6.00	24.00
NPL/RPL/Seasoned	47.64	38.84	31.00	5.29	45.00
SFR	6.86	3.89	9.00	1.00	5.00
Non-QM	11.35	25.24	18.00	4.00	32.00

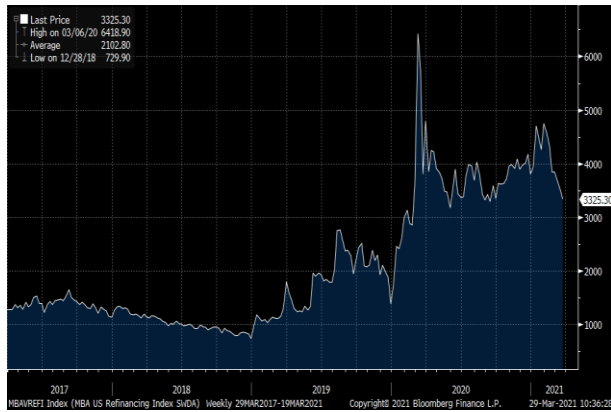
Source: JP Morgan, Nomura

Agency Appendix:

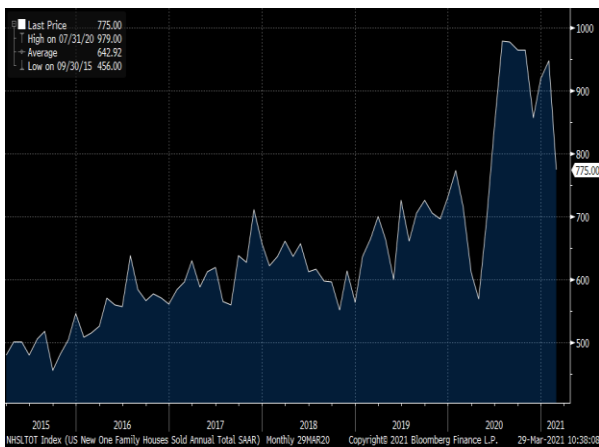
30 Year-Mortgage Rates: On the rise, 3.17%



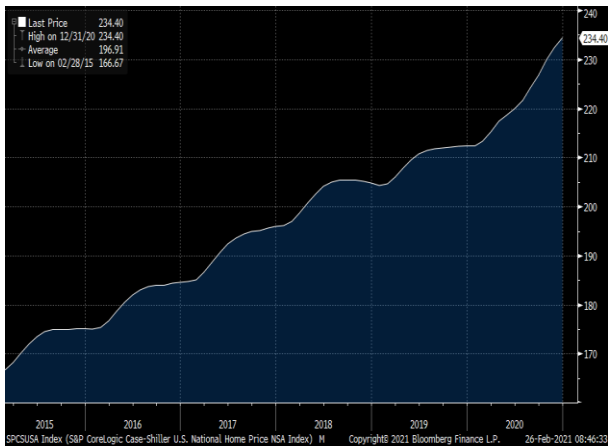
US Refinancing Index: Signs of slowing down



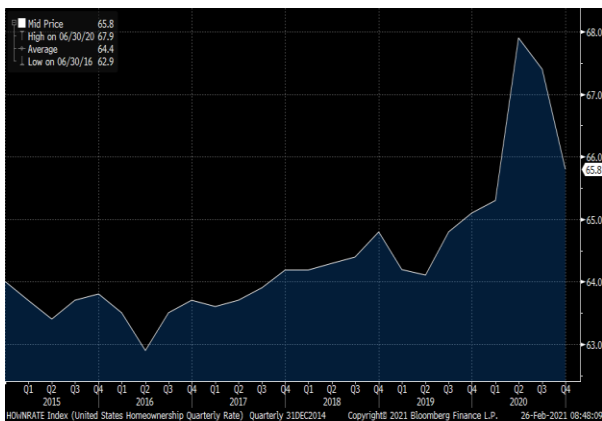
US New Home Sales: Down off the recent highs



US Home Price Index: Prices going up



US Home Ownership Rate: Trend has been higher



Mtge Spread vs 5-year Treasury Yield: +117 bps

