



April 28, 2021

Investors and Friends,

In this letter, we will discuss:

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

Recent Performance

Regan Credit Opportunities Fund (“RCOF”) was up +0.94% for March. Our loss-adjusted book yield sits at 5.45%, a healthy increase over last month’s yield.

Here is a look at how our portfolio metrics have changed over the last six months:

	March 2021	February 2021	January 2021	December 2020	November 2020	October 2021
Yield	5.5%	5.4%	5.3%	4.9%	4.9%	4.9%
Leverage	6%	5%	6%	5%	6%	5%
Rate Duration	-0.18	-0.75	-2.01	1.30	0.47	2.05
Spread Duration	1.71	1.82	2.03	1.89	1.97	1.86
Monthly Return	0.94%	1.78%	1.28%	0.78%	0.48%	0.50%

Results:

- ✓ Increasing Yield
- ✓ Decreasing Interest-Rate Exposure
- ✓ Decreasing Spread (Market) Exposure

Through:

- ✓ Selling low-yielding paper
- ✓ Replacing with high-yielding paper
- ✓ Adding bonds that have tremendous upside to rising rates and pay us back quickly

RCOF Return Expectations for the Next 6-12 Months

With the broader market trading at 2%-3% yield we project an additional 6.9% of upside in price appreciation from current levels. We estimate an additional 5% in upside to come from trading profit and rising rates. We project returns over the next 12 months to come in at +17.4%.



Source: Regan Capital; estimates as of March 31, 2021.

Market Commentary

Non-Agency Commentary

Forbearance exits continue at a steady clip as active plans dropped by 280k. As of March month-end, 14% of borrowers in forbearance have fully paid off their mortgage (2% increase MoM) as positive home equity has given potentially delinquent borrowers an exit plan. JPM has revised HPI expectations higher from 5.2% to 7% for 2021 as housing inventory remains at historic lows nationwide. With forbearance now extended through September the potential for an involuntary supply surge has been partially mitigated. Conversely, supply limitations are starting to have a cooling effect on turnover as potential homebuyers may be stepping away from the market in the face of higher rates + prices. The MBA purchase index dropped in February and March after cresting in January.

According to the National Association of Home Builders, the price of lumber is up 180% and the price of residential construction is \$24,000 higher compared to April 2020. While the rising costs of building materials has at times been cited as indicative of arrived inflation, it can largely be attributed to supply chain issues as

demand has surged back online post covid. Many of the raw materials for new homes, particularly windows and industrial appliances are produced overseas in factories that have yet to regain pre-covid levels of capacity.

Regan Mutual Fund

Regan's mutual fund launched on October 1, 2020. Please [visit our website](#) or [contact us for more info](#). We'll be hosting a Zoom call in May, focused on our mutual fund.

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	3/27/2021	4/3/2021	4/10/2021	4/17/2021
DM (1month LIBOR)	CRT BBB	81	80	77	75
DM (1month LIBOR)	CRT BB/B	284	290	293	286
OAS	Prime JUMBO	121	121	131	131
Swaps	NQM AAA	90	85	75	70
Swaps	RPL AAA	65	65	65	65
Swaps	RPL BBB	155	155	150	150
DM (1month LIBOR)	SFR AAA	79	77	77	78
DM (1month LIBOR)	LEGACY RMBS	274	270	262	261

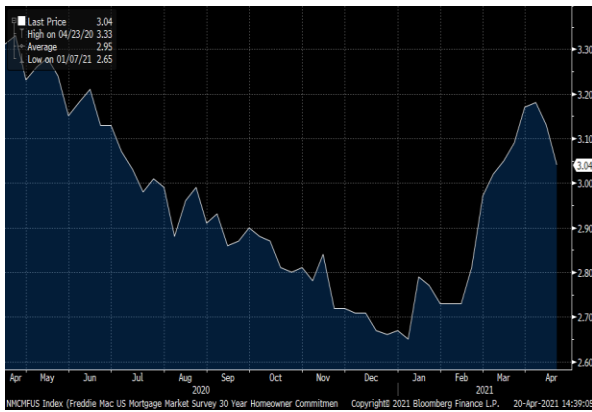
Source: JP Morgan, Nomura

New Issue Activity (\$billions, as of April 16, 2021)					
Sector	2018	2019	2020	2021	2021 Projected
CRT	17.8	19.93	18.00	7.00	30 to 37
Prime 2.0	17.36	17.49	17.00	9.00	30.00
NPL/RPL/Seasoned	47.64	38.84	31.00	14.00	45.00
SFR	6.86	3.89	9.00	2.00	5.00
Non-QM	11.35	25.24	18.00	5.00	32.00

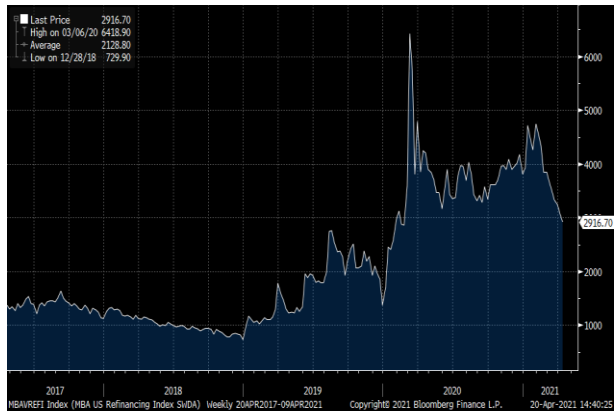
Source: JP Morgan, Nomura

Agency Appendix:

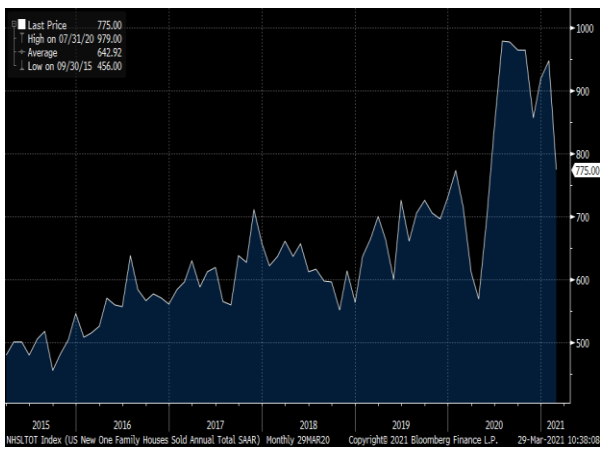
30 Year-Mortgage Rates: Back lower to 3.04%



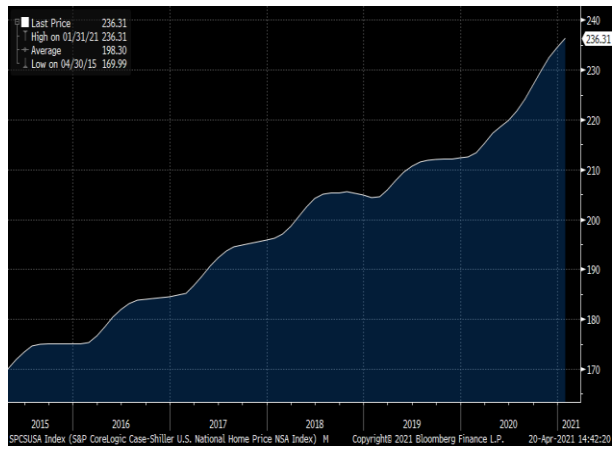
US Refinancing Index: Recent move is lower



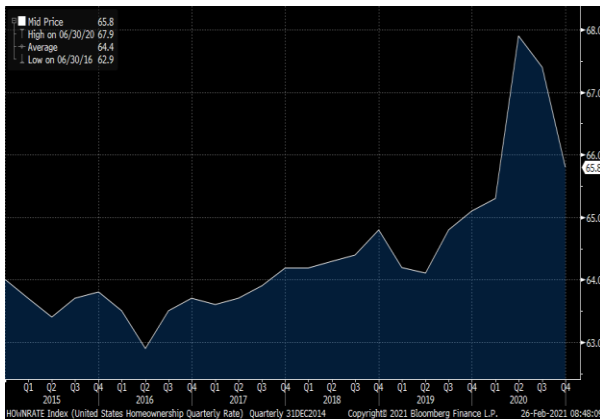
US New Home Sales: Down off the highs



US Home Price Index: Prices still going up



US Home Ownership Rate: Trend has been higher



Mtge Spread vs 5-year Treasury Yield: +104 bps

