



Investor Presentation

September 29, 2020

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Company Overview



1

Strategy

Acquire and service diversified hybrid portfolio of MSR and RMBS assets

Strategically positioned to benefit from multiple interest rate environments

2

Attractive Yield Generator

Preserving Book Value

Stable Core Earnings

Double-digit Dividend Yield

3

In Focus



Tickers:
CHMI, CHMI-PRA, CHMI-PRB

Appropriately managing risk with diversified portfolio

Balanced investment portfolio generating attractive hedge-adjusted returns

Shifted RMBS portfolio towards Agency RMBS due to lack of market liquidity surrounding credit assets

Investment Highlights



Investment strategy tailored to multiple interest rate environments

- Disciplined in asset selection – invest in MSRs, which provide **cash flow and opportunity** for capital appreciation in rising rate environment;
- Target RMBS with defined duration characteristics and expected **better prepayment protection traits**.

Decisively fortified liquidity, de-risked portfolio

- Significantly **strengthened** balance sheet in response to COVID, while reducing leverage; \$94m of unrestricted cash as of June 30, 2020.

Disciplined preservation of book value in volatile economic environment

- **Strategy designed to excel in a rising rate environment** and protect capital when rates decline;
- Among **best hybrid mREITs in preserving book value** in 2020 despite COVID*.

Compelling yield

- Consistent, attractive **double-digit dividend yield**.

Deeply experienced management team

- Senior management has 60+ combined years of investment, management and **operational experience** in financial services, MBS/RMBS, and residential real estate investment.

* Hybrid mREIT peer group consists of AJX, ARR, CIM, DX, EFC, IVR, MFA, MITT, NRZ, NYMT, PMT, RC, RWT, TWO, WMC

Strong Management with Deep Expertise



JAY LOWN

President &
Chief Executive Officer

25+ years of experience in financial services and the residential mortgage market

Prior to joining Cherry Hill, held senior roles in mortgage trading, banking and risk management at UBS and Citigroup, and served as a senior advisor to the Office of Thrift Supervision during the financial crisis.



JULIAN EVANS

Chief Investment Officer

20+ years of experience in financial services.

Prior to joining Cherry Hill, served as Head of the MBS Sector Team and Senior Portfolio Manager for Deutsche Asset Management from April 2004 to September 2012.



MICHAEL HUTCHBY

Chief Financial Officer

15+ years of experience in financial services, former Controller of Cherry Hill.

Prior to joining Cherry Hill, held senior positions at Freedom Mortgage Corporation, as well as multiple positions in investment banking and financial consulting (Sterne, Agee & Leach, Madison Place Partners and Bank of America Merrill Lynch).

By The Numbers



11.6%

Dividend Yield

based on September 23, 2020
closing price

\$13.41

Book Value Per Share

as of June 30, 2020

\$10M

Share Repurchase
Program Authorized in
September 2019

Approximately **378,500**
shares repurchased as
of June 30, 2020

\$24.1B

UPB of MSR_s

 **600%**
since 4Q16

Deftly Navigating Through Challenging Environment



Fortify liquidity position

- Boosted cash equivalents to \$94 million* from \$25 million at end of 2019; met all margin calls
- Did not require dilutive, expensive rescue financing

De-risk and lower leverage profile

- Reduced leverage to 4.4x* from 6.1x at year-end 2019
- Sold all Ginnie Mae MSRs*
- Exited CRT position in orderly manner

Meet all advancing obligations

- Met all advancing obligations
- Believe liquidity position sufficient to satisfy all foreseeable future advancing obligations

Protect book value, cover dividend

- Book value** reduction of 23% in 1H20 during unprecedented environment among best performances by hybrid mREITs
- Core earnings continued to cover common dividend

Selective investments

- Maintaining disciplined investment approach
- Continue to acquire select MSRs through flow program that will deliver attractive risk-adjusted returns

Business continuity

- Prior investment in cloud-based solution for day-to-day operations allowed team members to seamlessly transition to working remotely

Steady Growth Guided by Experienced Management



Prudently Investing To Optimize Risk-adjusted Returns

		Organically Developed Licensed Mortgage Servicer	Received FNMA and FHLMC Licenses	Sold Excess MSRs at Significant Gain	Raised \$130M+ of New Capital	Expanded Portfolio to Non-Agency RMBS	Fortified Balance Sheet, Increasing Flexibility in COVID Environment
2013	2014	2015	2016	2017	2018	2019	2020
	IPO		Acquired Aurora Lending and First Bulk Pool of Full MSRs		Received GNMA Approval to Service Full MSRs	Raised \$50M+ of New Capital	

Well-Diversified Hybrid Portfolio – Opportunistically Positioned



Investable Assets
\$1.9B*

MSR

Purchase full MSRs on bulk and flow basis from third parties

Percentage of Portfolio*

37% Equity / 10% Assets

Strategy

Capitalize on rising interest rate environment and price dislocations

AGENCY AND NON-AGENCY RMBS

Invest in collateral that we believe will perform over an extended time frame

Purchase fixed and floating rate tranches of Non-Agency assets (e.g. Jumbo, Non-QM)

Percentage of Portfolio*

39% Equity / 90% Assets

Agency Strategy

Target fixed-rate Agency MBS with favorable prepayment and duration features

Non-Agency Strategy

Currently, not an area of focus post-crisis

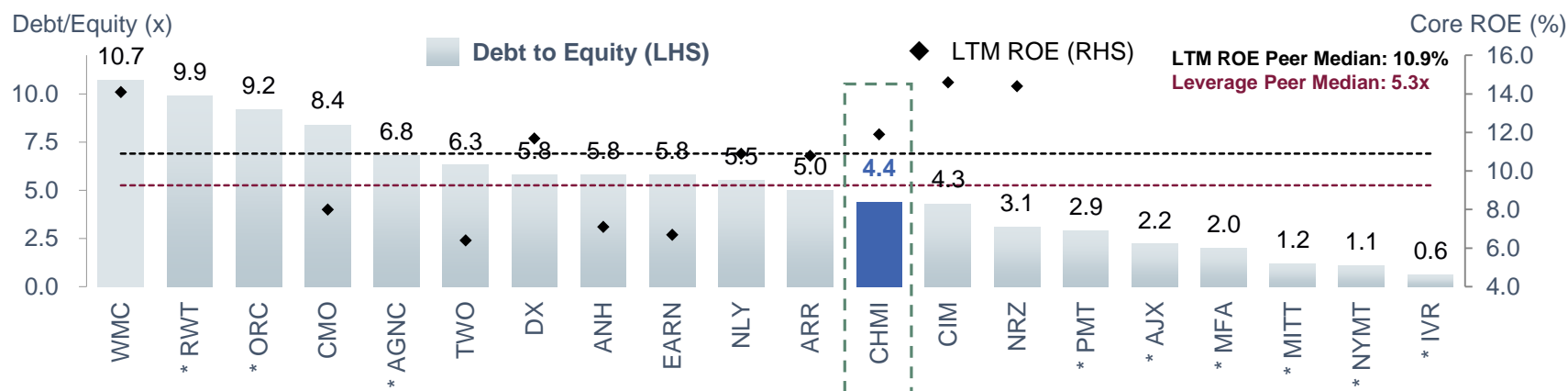
Compelling Risk-Return Profile



Strong Annualized Return on Equity



Total Debt/Equity as of June 30, 2020⁽¹⁾



* Did not report core earnings in at least 1 quarter of the LTM period

Source: SNL Financial, Company filings

1. As of most recent quarter reported; Debt / Equity shown inclusive of impact of net TBA positions, where disclosed

Select Servicing Related Assets Remain Attractive Despite Current Environment



Assets have potential for **value appreciation in rising rate environment**

Flow MSR agreement – **consistent monthly MSR purchase**

Diversified subservicing relationships – **lowers counterparty risk**

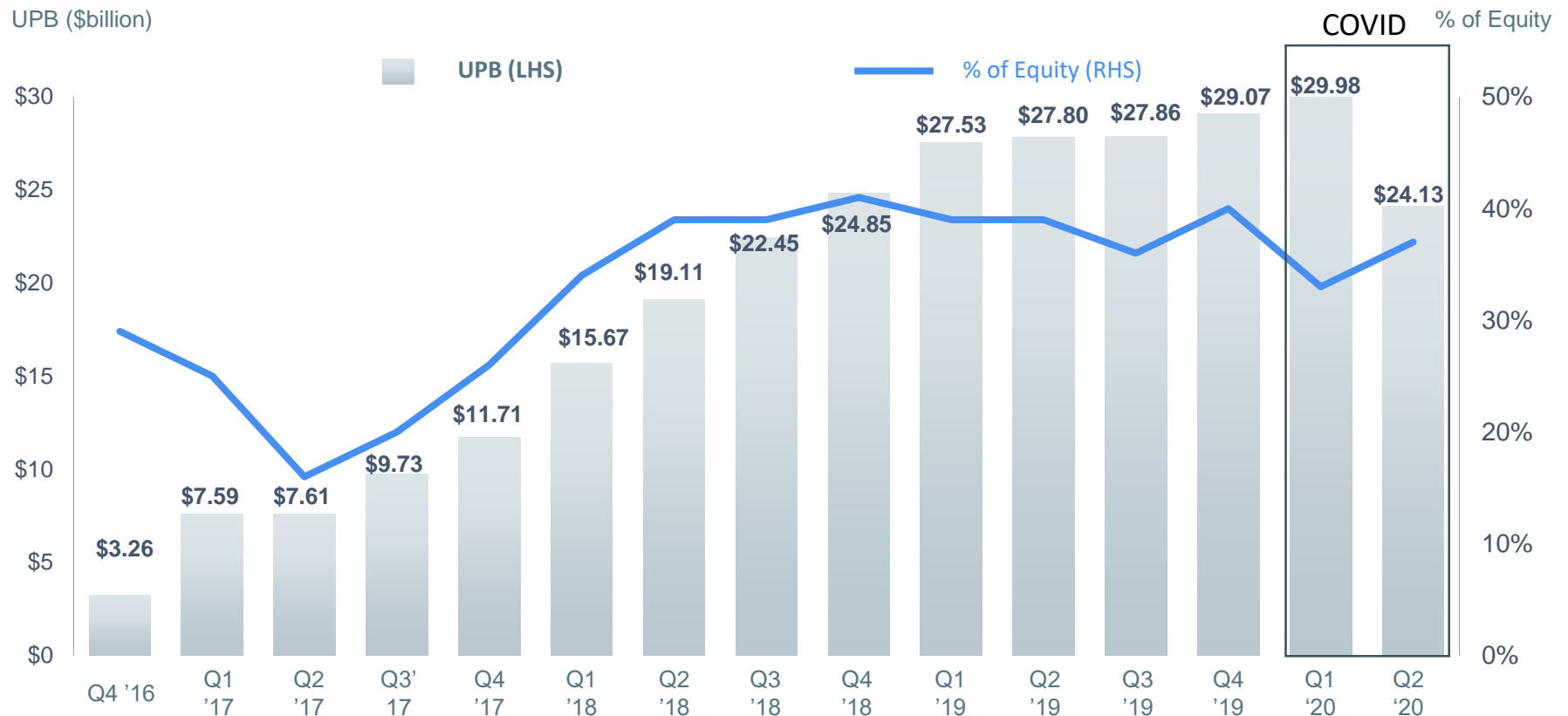
Target loans that **exhibit favorable performance** and prepayment characteristics through flow acquisitions

Significant Growth of MSR Portfolio



Total MSR UPB and as % of Portfolio Equity Composition

MSR Portfolio Positions CHMI to Succeed in Rising Rate Environment



Leveraging Agency RMBS Investments to Provide Favorable Returns



Agency RMBS Selection

RMBS assets comprise 39% of equity as of June 30, 2020

Target pools of loans with expected better prepayment characteristics

Select pools that exhibit more defined duration attributes

More favorable risk-adjusted returns given ongoing geopolitical uncertainty

RMBS

Notable Accomplishments



Nimble and proactively managed MSR portfolio

to protect book value in volatile and unprecedented rate environments



Grown MSR UPB

600% since end of 2016*



Raised and deployed new capital

Approximately \$140M in 2017, \$54M in 2018, \$50M in 2019



Consistent double-digit dividend yield

since IPO in late 2013*

Positioned to Outperform Long-Term



- **Positioned to succeed in multiple interest rate environments**
- **Expand MSR portfolio selectively and prudently**
- **Continue proactively managing and hedging portfolio to navigate through COVID-19 environment**
- **Generate attractive long-term risk-adjusted shareholder total return**

Investment Highlights



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Decisively fortified liquidity, de-risked portfolio in response to COVID

Compelling yield

Deeply experienced management team



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INVESTMENT CORPORATION

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