



# Investor Presentation

November 2019

# Legal Disclaimer



**FORWARD-LOOKING STATEMENTS.** Certain statements in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation references to potential or expected future cash flows, estimated or expected returns, sometimes referred to as initial IRR, updated IRR, expected IRR, lifetime IRR, life-to-date IRR or current-to-maturity IRR, potential discount rates, potential future investments, expected yields, potential or implied investment multiples, potential or projected future cash flows, expected CRR, CDR, Loss Severities, Loss Rates and Delinquencies. These statements are based on management's current expectations and beliefs and are subject to a number of risks, trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. Cherry Hill Mortgage Investment Corporation (or "the Company") can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any forward-looking statements contained in this presentation. Risks and uncertainties emerge from time to time, and it is not possible for the Company to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. For a description of factors that may cause actual results or performance to differ from the forward-looking statements in this presentation, please review the information under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and in other documents filed by the Company with the SEC. The Company's forward-looking statements speak only as of the date of this presentation. Cherry Hill Mortgage Investment Corporation expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

**CAUTIONARY NOTE REGARDING EXPECTED RETURNS AND EXPECTED YIELDS.** Expected returns and expected yields are estimates of the annualized effective rate of return that we presently expect to be earned over the expected average life of an investment (i.e., IRR), after giving effect, in the case of returns, to existing leverage and existing hedging costs, and calculated on a weighted average basis. Expected returns and expected yields reflect our estimates of an investment's coupon, amortization of premium or discount, and costs and fees, as well as our assumptions regarding prepayments, defaults and loan losses, among other things. In the case of Servicing Related Assets, these assumptions include, but are not limited to, recapture rates, prepayment rates and delinquency rates. Income recognized by the Company in future periods may be significantly less than the income that would have been recognized if an expected return or expected yield were actually realized, and the estimates we use to calculate expected returns and expected yields could differ materially from actual results. Statements about expected returns and expected yields in this presentation are forward-looking statements. You should carefully read the cautionary statement above under the caption "Forward-looking Statements," which directly applies to our discussion of expected returns and expected yields.

**PAST PERFORMANCE.** Past performance is not a reliable indicator of future results and should not be relied upon for any reason.

# Investment Highlights



Compelling performance profile

Strong track record of **generating total return**.

Disciplined preservation of book value  
in volatile economic environment

**Strategy designed to excel in a rising rate environment** and  
protect capital when rates decline.

Growing MSR portfolio

Focus on **investment in MSRs**, which provide cash flow and opportunity  
for capital appreciation in a rising interest rate environment.

Investment strategy tailored to multiple  
interest rate environments

Disciplined in asset selection - targeting RMBS with defined  
duration characteristics and **better prepayment protection traits**.

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.

# Investment Highlights



1

## Strategy

Acquire and service diversified portfolio of MSR and RMBS assets

Strategically positioned to benefit from multiple interest rate environments

2

## Attractive Yield Generator

Preserving Book Value

Solid Earnings

Double-digit Dividend Yield

3

## In Focus



Tickers:  
CHMI, CHMI-PRA, CHMI-PRB

Appropriately managing risk with diversified portfolio

Substantial and growing MSR portfolio generating attractive risk-adjusted returns

Expanding portfolio to include Non-Agency RMBS

# By The Numbers



**11.4%**

Dividend Yield  
based on November 11,  
2019 closing price

**\$17.01**

Book Value Per Share  
as of September 30, 2019

**\$10M**

Share Repurchase  
Program Authorized in  
September 2019

**\$27.9B**

UPB of MSRs

 **750%**  
since 4Q16

# 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 MSR's at Significant Gain	Raised \$130M+ of New Capital	Expanded Portfolio to Non-Agency RMBS
2013	2014	2015	2016	2017	2018	2019
	IPO		Acquired Aurora Lending and First Bulk Pool of Full MSR's		Received GNMA Approval to Service Full MSR's	Raised \$50M+ of New Capital

# 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).

# Well-Diversified Portfolio – Opportunistically Positioned



Assets  
**\$3.0B\***

## MSR

Purchase full MSRs  
on bulk and flow basis  
from third parties

### Percentage of Portfolio\*

36% Equity / 9% Assets

### Strategy

Capitalize on rising  
interest rate environment

## AGENCY AND NON-AGENCY RMBS

Target fixed rate Agency  
MBS with favorable  
prepayment and  
duration features

Invest in fixed and  
floating rate Non-Agency  
assets (e.g. Jumbo, Non-  
QM, CRT)

### Percentage of Portfolio\*

62% Equity / 91% Assets

### Agency Strategy

Agency selective assets,  
enable portfolio success in  
multiple rate environments

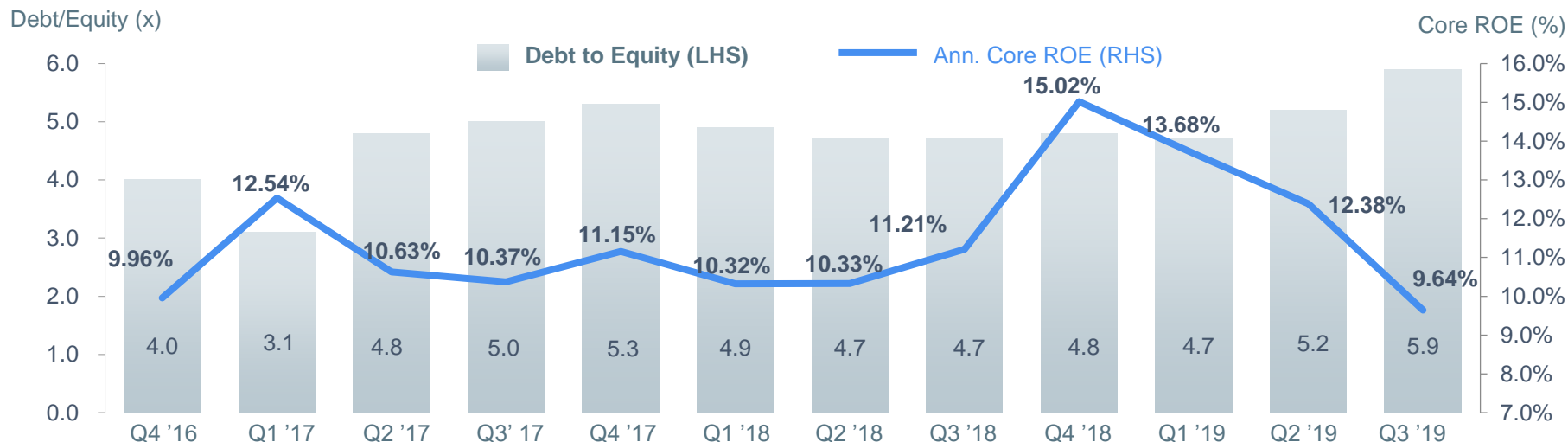
### Non-Agency Strategy

Further diversification,  
manage interest rate risk  
with floating rate assets

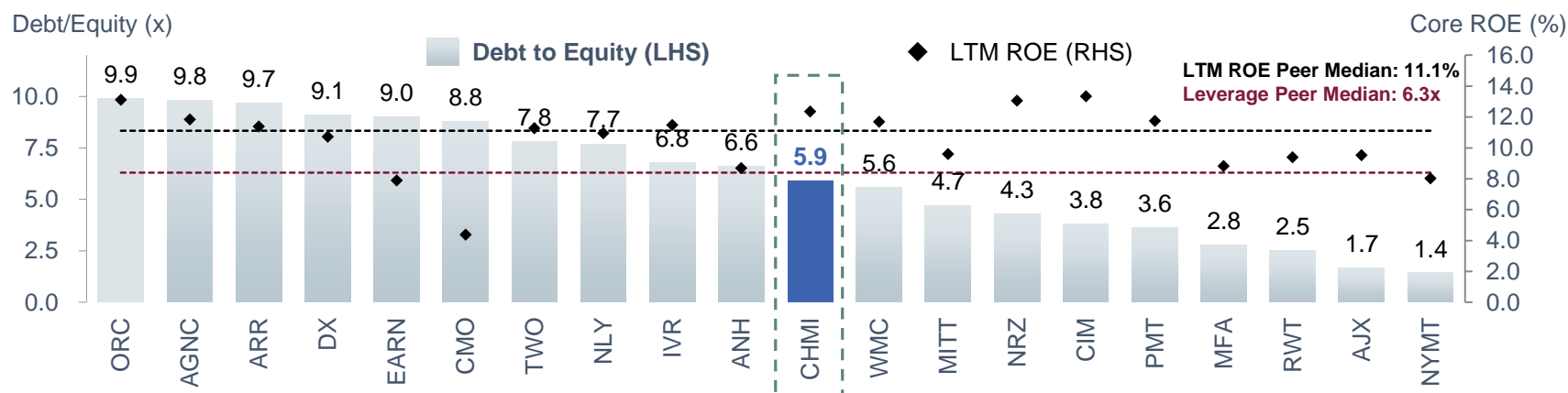


# Compelling Risk-Return Profile

## Strong Annualized Return on Equity



## Total Debt/Equity as of September 30, 2019<sup>(1)</sup>



Source: SNL Financial, Company filings

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

## Servicing Related Assets Remain Attractive Investments in the Current Interest Rate Environment



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

RoundPoint agreement – **consistent monthly MSR purchase flow**

Diversified subservicing relationships – **lowers counterparty risk**

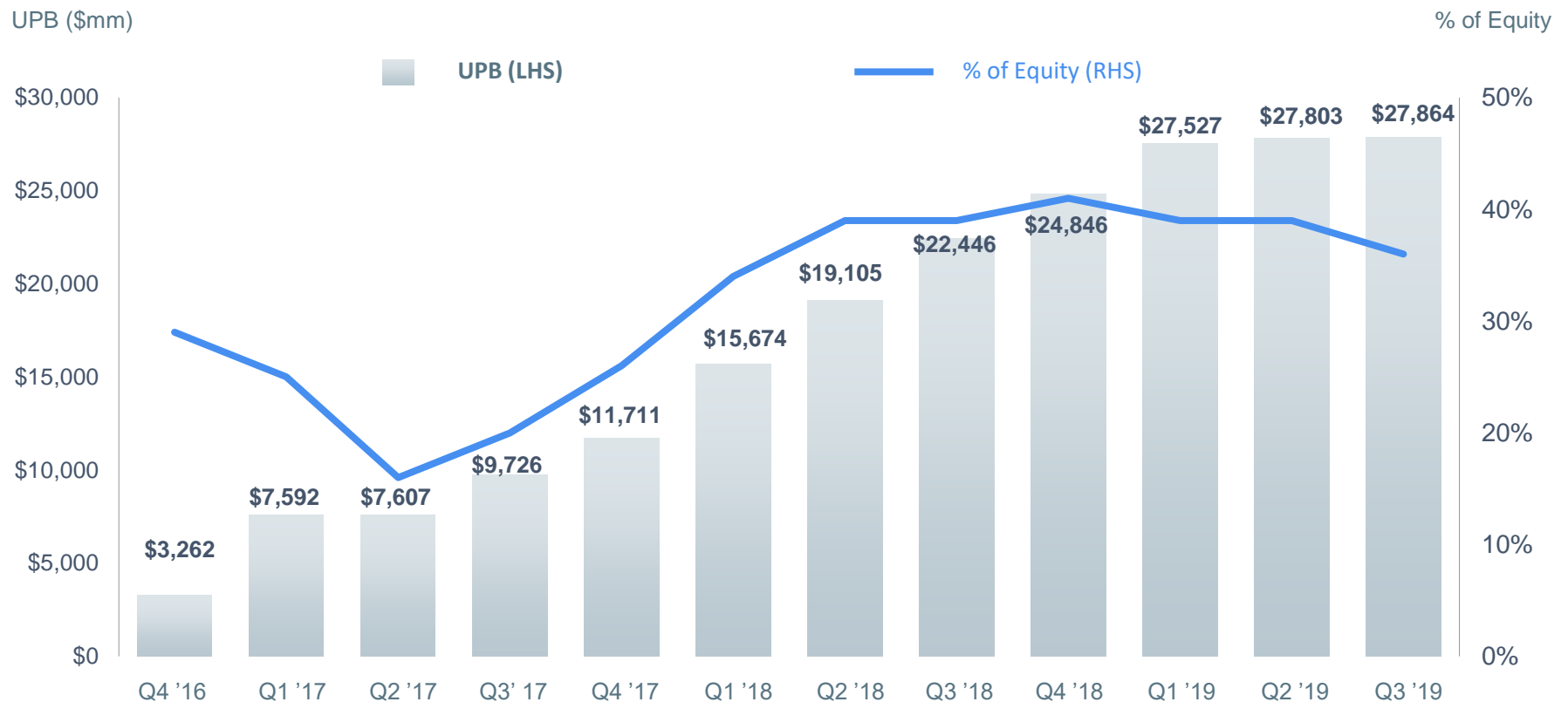
Target loans that **exhibit favorable performance** and prepayment characteristics through flow acquisitions

# 750% Growth of MSR Portfolio Since End 2016



## Total MSR UPB and as % of Portfolio Equity Composition

### Growth of MSR Portfolio Positions CHMI to Succeed in Rising Rate Environment





# Agency RMBS Investments



## Agency RMBS Selection

**RMBS assets comprise 62% of equity as of September 30, 2019**

**Target pools of loans with better prepayment characteristics**

**Select pools that exhibit more defined duration attributes**

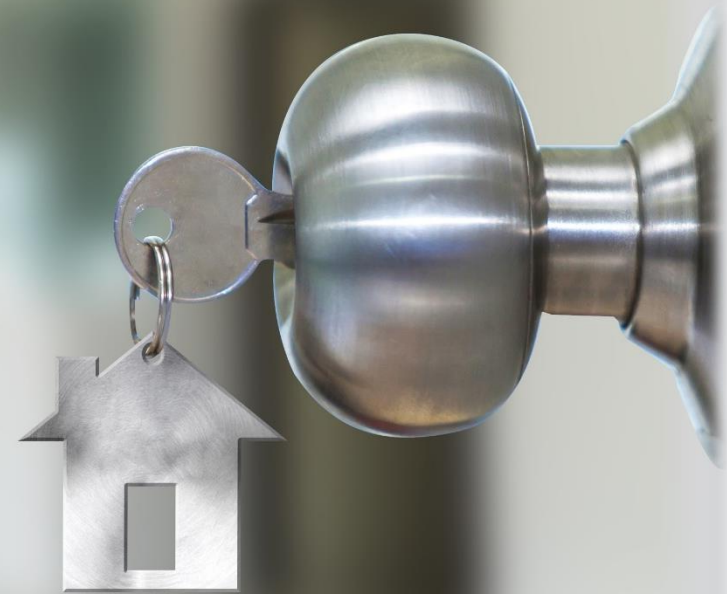
**More favorable risk-adjusted returns given current geopolitical uncertainty**

**RMBS**

# Recent Investments: Non-Agency Mortgage Assets

## Diversification of RMBS Assets

- Expansion in private mortgage markets due to economic growth
- Additional asset class option to deploy capital; enhances diversification
- Layered in floating-rate assets to protect against interest rate risk associated with fixed-rate RMBS assets
- Investments in Non-Agency – structured Jumbo Prime, Non-QM and CRT



# What We've Accomplished



## **Nimble and proactively managed MSR portfolio**

to protect book value in volatile rate environments



## **Grown MSR UPB**

750% since end of 2016



## **Raised and deployed new capital**

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



## **Consistent double-digit dividend yield**

since IPO in late 2013\*

\* - as of September 30, 2019



# Looking Ahead

- Positioned to succeed in multiple interest rate environments
- Expand MSR portfolio prudently
- Diversify portfolio further into non-agency assets
- Generate attractive long-term risk-adjusted shareholder total return

# Investment Highlights



Compelling performance profile

Disciplined preservation of book value in  
volatile economic environment

Growing MSR portfolio

Investment strategy tailored to multiple  
interest rate environments

Deeply experienced management team





**Contact:**

**Investor Relations**

**Phone: (877) 870-7005**

**[investorrelations@chmireit.com](mailto:investorrelations@chmireit.com)**