Ellington Financial LLC
Form 10-Q
November 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-34569
Ellington Financial LLC
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| Delaware | 26-0489289 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

53 Forest Avenue, Old Greenwich, Connecticut 06870
(Address of Principal Executive Office) (Zip Code)
(203) 698-1200
(Registrant's Telephone Number, Including Area Code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ¨ | Accelerated Filer | x |
| Non-Accelerated Filer (Do not check if a smaller reporting company) | ¨ | Smaller Reporting Company | x |
| | | Emerging Growth Company | ¨ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at November 6, 2018 |
|---|---|

| | |
|---|---|
| Common Shares Representing Limited Liability Company Interests, no par value | 30,013,574 |

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PART I—FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements (Unaudited)
ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
(UNAUDITED)

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| (In thousands except share amounts) | Expressed in U.S. Dollars | |
| ASSETS | | |
| Cash and cash equivalents | $53,598 | $ 47,233 |
| Restricted cash | 425 | 425 |
| Investments, financial derivatives, and repurchase agreements: | | |
| Investments, at fair value (Cost – $2,694,223 and $2,071,754) | 2,670,069 | 2,071,707 |
| Financial derivatives–assets, at fair value (Net cost – $20,895 and $31,474) | 31,338 | 28,165 |
| Repurchase agreements, at fair value (Cost – $160,468 and $155,109) | 160,422 | 155,949 |
| Total investments, financial derivatives, and repurchase agreements | 2,861,829 | 2,255,821 |
| Due from brokers | 83,915 | 140,404 |
| Receivable for securities sold and financial derivatives | 670,952 | 476,000 |
| Interest and principal receivable | 38,635 | 29,688 |
| Other assets | 5,207 | 43,770 |
| Total Assets | $3,714,561 | $ 2,993,341 |
| LIABILITIES | | |
| Investments and financial derivatives: | | |
| Investments sold short, at fair value (Proceeds – $697,686 and $640,202) | $695,349 | $ 642,240 |
| Financial derivatives–liabilities, at fair value (Net proceeds – $16,294 and $27,463) | 27,226 | 36,273 |
| Total investments and financial derivatives | 722,575 | 678,513 |
| Reverse repurchase agreements | 1,636,039 | 1,209,315 |
| Due to brokers | 4,551 | 1,721 |
| Payable for securities purchased and financial derivatives | 430,808 | 202,703 |
| Other secured borrowings (Proceeds – $114,190 and $57,909) | 114,190 | 57,909 |
| Other secured borrowings, at fair value (Proceeds – $90,409 and $125,105) | 89,569 | 125,105 |
| Senior notes, net | 84,968 | 84,771 |
| Accounts payable and accrued expenses | 5,337 | 3,885 |
| Base management fee payable to affiliate | 1,830 | 2,113 |
| Incentive fee payable to affiliate | 424 | — |
| Interest and dividends payable | 6,451 | 5,904 |
| Other liabilities | 1,141 | 441 |
| Total Liabilities | 3,097,883 | 2,372,380 |
| EQUITY | 616,678 | 620,961 |
| TOTAL LIABILITIES AND EQUITY | $3,714,561 | $ 2,993,341 |
| Commitments and contingencies (Note 17) | | |
| ANALYSIS OF EQUITY: | | |
| Common shares, no par value, 100,000,000 shares authorized; | | |
| (30,155,055 and 31,335,938 shares issued and outstanding) | $583,179 | $ 589,722 |
| Additional paid-in capital – Long term incentive plan units | 10,618 | 10,377 |
| Total Shareholders' Equity | 593,797 | 600,099 |
| Non-controlling interests | 22,881 | 20,862 |
| Total Equity | $616,678 | $ 620,961 |

| | | |
|---|---|---|
| PER SHARE INFORMATION: | | |
| Common shares | $ 19.69 | $ 19.15 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018
(UNAUDITED)

| Current Principal/Number of Shares | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| Cash Equivalents—Money Market Funds (1.38%) (a) (b) | | | | |
| North America | | | | |
| Funds | | | | |
| $8,502 | Various | 1.92% - 1.96% | | $ 8,502 |
| Total Cash Equivalents—Money Market Funds (Cost $8,502) | | | | $ 8,502 |
| Long Investments (432.98%) (a) (b) (ae) | | | | |
| Mortgage-Backed Securities (267.14%) | | | | |
| Agency Securities (202.37%) (c) | | | | |
| Fixed Rate Agency Securities (189.05%) | | | | |
| Principal and Interest - Fixed Rate Agency Securities (137.91%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| $142,232 | Federal National Mortgage Association Pools (30 Year) | 4.00% | 9/39 - 9/48 | $144,555 |
| 116,796 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 4.00% | 11/41 - 9/48 | 118,777 |
| 84,194 | Federal National Mortgage Association Pools (30 Year) | 3.50% | 9/42 - 2/48 | 83,182 |
| 69,656 | Federal National Mortgage Association Pools (30 Year) | 4.50% | 10/41 - 9/48 | 72,403 |
| 54,151 | Government National Mortgage Association Pools (30 Year) | 4.00% | 7/45 - 5/48 | 55,026 |
| 46,289 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 4.50% | 9/43 - 9/48 | 48,076 |
| 44,474 | Government National Mortgage Association Pools (30 Year) | 5.00% | 2/48 - 8/48 | 46,735 |
| 44,456 | Federal National Mortgage Association Pools (15 Year) | 3.50% | 3/28 - 3/32 | 44,747 |
| 38,966 | Federal National Mortgage Association Pools (30 Year) | 5.00% | 10/35 - 8/48 | 41,243 |
| 32,509 | Government National Mortgage Association Pools (30 Year) | 3.50% | 12/42 - 2/47 | 32,243 |
| 30,083 | Government National Mortgage Association Pools (30 Year) | 4.50% | 9/46 - 8/48 | 31,271 |
| 26,297 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 3.50% | 1/42 - 3/48 | 26,009 |
| 15,780 | Government National Mortgage Association Pools (30 Year) | 5.50% | 4/48 - 8/48 | 16,791 |
| 11,259 | Federal National Mortgage Association Pools (15 Year) | 3.00% | 4/30 - 9/32 | 11,139 |
| 8,447 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 3.50% | 9/28 - 12/32 | 8,503 |
| 8,136 | Federal Home Loan Mortgage Corporation Pools (Other) | 3.50% | 2/30 - 9/46 | 8,061 |
| 6,022 | Federal National Mortgage Association Pools (15 Year) | 4.00% | 6/26 - 5/31 | 6,138 |
| 5,048 | Federal National Mortgage Association Pools (30 Year) | 5.50% | 10/39 - 6/48 | 5,419 |
| 5,541 | Government National Mortgage Association Pools (30 Year) | 3.00% | 11/42 - 5/48 | 5,364 |
| 5,029 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 5.00% | 7/44 - 4/48 | 5,295 |
| 4,797 | Federal National Mortgage Association Pools (Other) | 5.00% | 9/43 - 1/44 | 5,045 |
| 4,413 | Federal National Mortgage Association Pools (Other) | 4.00% | 12/47 | 4,446 |

| | | | | |
|---|---|---|---|---|
| 2,792 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 3.00% | 7/43 - 6/45 | 2,689 |
| 2,524 | Federal Home Loan Mortgage Corporation Pools (Other) | 4.50% | 5/44 | 2,610 |
| 2,639 | Federal National Mortgage Association Pools (30 Year) | 3.00% | 1/42 - 6/45 | 2,543 |
| 2,519 | Government National Mortgage Association Pools (30 Year) | 3.75% | 7/47 | 2,517 |
| 2,341 | Federal National Mortgage Association Pools (Other) | 4.50% | 5/41 | 2,396 |
| 2,313 | Federal National Mortgage Association Pools (15 Year) | 4.50% | 4/26 | 2,391 |
| 2,389 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 3.00% | 4/30 | 2,362 |
| 1,757 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 5.50% | 8/33 - 5/48 | 1,890 |
| 1,575 | Federal National Mortgage Association Pools (20 Year) | 4.00% | 12/33 | 1,612 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal/Notional Value | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| (continued) | | | | |
| $1,232 | Government National Mortgage Association Pools (30 Year) | 6.00% | 5/48 | $ 1,323 |
| 1,063 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 4.00% | 2/29 | 1,085 |
| 1,070 | Federal Home Loan Mortgage Corporation Pools (Other) | 3.00% | 6/28 - 3/30 | 1,054 |
| 988 | Federal Home Loan Mortgage Corporation Pools (20 Year) | 4.50% | 12/33 | 1,030 |
| 860 | Federal National Mortgage Association Pools (30 Year) | 6.00% | 9/39 - 2/40 | 929 |
| 851 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 6.00% | 5/40 | 923 |
| 866 | Federal National Mortgage Association Pools (Other) | 3.00% | 10/46 | 825 |
| 646 | Government National Mortgage Association Pools (30 Year) | 2.49% | 10/43 | 598 |
| 545 | Government National Mortgage Association Pools (Other) | 3.50% | 10/30 - 2/32 | 533 |
| 430 | Federal National Mortgage Association Pools (Other) | 3.50% | 4/26 | 433 |
| 143 | Government National Mortgage Association Pools (Other) | 3.00% | 6/30 | 137 |
| 110 | Federal National Mortgage Association Pools (30 Year) | 3.28% | 6/42 | 105 |
| | | | | 850,453 |
| Interest Only - Fixed Rate Agency Securities (1.92%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 18,398 | Government National Mortgage Association | 4.00% | 2/45 - 6/45 | 3,164 |
| 11,223 | Federal National Mortgage Association | 4.50% | 12/20 - 6/44 | 1,450 |
| 5,000 | Government National Mortgage Association | 6.00% | 6/38 - 8/39 | 1,050 |
| 6,464 | Government National Mortgage Association | 4.50% | 6/39 - 7/44 | 902 |
| 3,554 | Federal National Mortgage Association | 5.50% | 10/39 | 795 |
| 3,816 | Government National Mortgage Association | 5.50% | 11/43 | 683 |
| 3,728 | Federal National Mortgage Association | 4.00% | 5/39 - 11/43 | 603 |
| 3,807 | Federal Home Loan Mortgage Corporation | 3.50% | 12/32 | 559 |
| 2,937 | Federal National Mortgage Association | 5.00% | 1/38 - 5/40 | 512 |
| 5,658 | Federal Home Loan Mortgage Corporation | 5.00% | 11/38 | 494 |
| 4,101 | Federal Home Loan Mortgage Corporation | 5.50% | 1/39 - 9/39 | 403 |
| 1,703 | Federal National Mortgage Association | 6.00% | 1/40 | 301 |
| 1,507 | Federal Home Loan Mortgage Corporation | 4.50% | 7/43 | 294 |
| 3,444 | Government National Mortgage Association | 5.00% | 5/37 - 5/41 | 228 |
| 2,363 | Federal National Mortgage Association | 3.00% | 9/41 | 225 |
| 893 | Government National Mortgage Association | 4.75% | 7/40 | 180 |
| | | | | 11,843 |
| TBA - Fixed Rate Agency Securities (49.22%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 120,155 | Government National Mortgage Association (30 Year) | 5.00% | 10/18 | 125,444 |
| 70,409 | Government National Mortgage Association (30 Year) | 4.50% | 10/18 | 72,757 |
| 66,903 | Federal National Mortgage Association (30 Year) | 4.00% | 10/18 | 67,554 |
| 21,540 | Federal Home Loan Mortgage Corporation (30 Year) | 3.50% | 10/18 | 21,200 |

| | | | | |
|---|---|---|---|---|
| 10,579 | Government National Mortgage Association (30 Year) | 5.50% | 10/18 | 11,159 |
| 3,740 | Government National Mortgage Association (30 Year) | 4.00% | 10/18 | 3,802 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal/Notional Value | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| (continued) | | | | |
| $1,660 | Federal Home Loan Mortgage Corporation (15 Year) | 3.00% | 10/18 | $ 1,636 |
| | | | | 303,552 |
| Total Fixed Rate Agency Securities (Cost $1,193,517) | | | | 1,165,848 |
| Floating Rate Agency Securities (13.32%) | | | | |
| Principal and Interest - Floating Rate Agency Securities (9.88%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 53,067 | Government National Mortgage Association Pools | 4.40% - 4.67% | 7/61 - 12/67 | 55,396 |
| 3,555 | Federal National Mortgage Association Pools | 2.70% - 4.69% | 9/35 - 5/45 | 3,684 |
| 1,822 | Federal Home Loan Mortgage Corporation Pools | 3.49% - 4.72% | 6/37 - 5/44 | 1,855 |
| | | | | 60,935 |
| Interest Only - Floating Rate Agency Securities (3.44%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 263,738 | Other Government National Mortgage Association | 0.40% - 5.94% | 6/31 - 10/66 | 12,099 |
| 80,590 | Other Federal National Mortgage Association | 1.12% - 5.50% | 6/33 - 11/46 | 5,543 |
| 52,492 | Other Federal Home Loan Mortgage Corporation | 1.61% - 4.49% | 3/36 - 1/44 | 3,432 |
| 6,544 | Resecuritization of Government National Mortgage Association (d) | 2.38% | 8/60 | 133 |
| | | | | 21,207 |
| Total Floating Rate Agency Securities (Cost $85,774) | | | | 82,142 |
| Total Agency Securities (Cost $1,279,291) | | | | 1,247,990 |
| Private Label Securities (64.77%) | | | | |
| Principal and Interest - Private Label Securities (63.57%) | | | | |
| North America (30.44%) | | | | |
| Mortgage-related—Residential | | | | |
| 245,943 | Various | 0.00% - 26.31% | 5/19 - 3/47 | 176,113 |
| Mortgage-related—Commercial | | | | |
| 33,819 | Various | 2.80% - 3.44% | 3/49 - 5/61 | 11,641 |
| Total North America (Cost $176,842) | | | | 187,754 |
| Europe (33.13%) | | | | |
| Mortgage-related—Residential | | | | |
| 221,257 | Various | 0.00% - 5.50% | 6/25 - 12/61 | 188,043 |
| Mortgage-related—Commercial | | | | |
| 25,841 | Various | 0.38% - 4.20% | 10/20 - 8/45 | 16,250 |
| Total Europe (Cost $205,424) | | | | 204,293 |
| Total Principal and Interest - Private Label Securities (Cost $382,266) | | | | 392,047 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal/Notional Value | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| Interest Only - Private Label Securities (1.20%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| $32,210 | Various | 0.00% - 2.00% | 12/30 - 9/47 | $ 4,110 |
| Mortgage-related—Commercial | | | | |
| 41,707 | Various | 1.25% - 2.00% | 3/49 - 5/61 | 3,282 |
| Total Interest Only - Private Label Securities (Cost $5,361) | | | | 7,392 |
| Other Private Label Securities (0.00%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 70,577 | Various | —% | 6/37 | — |
| Mortgage-related—Commercial | | | | |
| — | Various | —% | 7/45 - 5/61 | — |
| Total Other Private Label Securities (Cost $191) | | | | — |
| Total Private Label Securities (Cost $387,818) | | | | 399,439 |
| Total Mortgage-Backed Securities (Cost $1,667,109) | | | | 1,647,429 |
| Collateralized Loan Obligations (25.31%) | | | | |
| North America (23.79%) (e) | | | | |
| 286,284 | Various | 0.00% - 10.09% | 12/18 - 10/2118 | 146,713 |
| Total North America (Cost $151,155) | | | | 146,713 |
| Europe (1.52%) | | | | |
| 9,993 | Various | 7.95% | 4/24 | 9,374 |
| Total Europe (Cost $9,406) | | | | 9,374 |

| | | | | |
|---|---|---|---|---|
| Total Collateralized Loan Obligations (Cost $160,561) | | | | 156,087 |
| Consumer Loans and Asset-backed Securities backed by Consumer Loans (33.16%) (f) | | | | |
| North America (33.01%) | | | | |
| Consumer (g) (h) | | | | |
| 224,476 | Various | 5.31% - 76.50% | 10/18 - 9/23 | 203,585 |
| Total North America (Cost $207,837) | | | | 203,585 |
| Europe (0.15%) | | | | |
| Consumer | | | | |
| 3,588 | Various | —% | 12/30 | 919 |
| Total Europe (Cost $825) | | | | 919 |
| Total Consumer Loans and Asset-backed Securities backed by Consumer Loans (Cost $208,662) | | | | 204,504 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal/Number of Properties | | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| Corporate Debt (8.71%) | | | | |
| North America (6.86%) | | | | |
| Basic Materials | | | | |
| $3,224 | Various | 3.55% - 7.63% | 10/21 - 3/22 | $ 3,201 |
| Communications | | | | |
| 4,241 | Various | 0.00% - 11.50% | 4/20 - 5/22 | 4,522 |
| Consumer | | | | |
| 13,331 | Various | 3.55% - 12.81% | 3/20 - 3/28 | 13,345 |
| Energy | | | | |
| 2,080 | Various | 4.63% | 9/21 | 2,063 |
| Financial | | | | |
| 355 | Various | 5.00% | 8/22 | 363 |
| Industrial | | | | |
| 11,995 | Various | 3.25% - 5.40% | 4/21 - 1/28 | 11,789 |
| Technology | | | | |
| 7,612 | Various | 3.88% - 7.32% | 5/20 - 5/22 | 7,010 |
| Total North America (Cost $39,487) | | | | 42,293 |
| Europe (1.85%) | | | | |
| Consumer | | | | |
| 20,807 | Various | —% | 12/18 | 52 |
| Financial | | | | |
| 11,782 | Various | 0.00% - 16.00% | 10/20 - 11/22 | 11,373 |
| Total Europe (Cost $12,670) | | | | 11,425 |
| Total Corporate Debt (Cost $52,157) | | | | 53,718 |
| Secured Notes (1.80%) (n) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 17,847 | Various | 5.00% | 11/57 | 11,065 |
| Total Secured Notes (Cost $11,766) | | | | 11,065 |
| Mortgage Loans (84.04%) (f) | | | | |
| North America | | | | |
| Mortgage-related—Commercial (j) | | | | |
| 126,334 | Various | 3.73% - 13.61% | 10/18 - 10/37 | 125,808 |
| Mortgage-related—Residential (k) (m) | | | | |
| 391,816 | Various | 2.00% - 15.00% | 2/19 - 9/58 | 392,460 |

| | | |
|---|---|---|
| Total Mortgage Loans (Cost $515,877) | | 518,268 |
| Real Estate Owned (5.67%) (f) (l) | | |
| North America | | |
| Real estate-related | | |
| 5 | Single-Family Houses | 1,386 |
| 18 | Commercial Properties | 33,558 |
| Total Real Estate Owned (Cost $33,867) | | 34,944 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal/Number of Shares (In thousands) | | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| Corporate Equity Investments (6.46%) | | | | |
| North America (6.46%) | | | | |
| Communications | | | | |
| 7 | Non-Exchange Traded Corporate Equity | | | $ 111 |
| Consumer | | | | |
| n/a | Non-Controlling Equity Interest in Limited Liability Company (i) | | | 6,263 |
| 36 | Exchange Traded Equity | | | 60 |
| 1,540 | Non-Exchange Traded Corporate Equity | | | 2 |
| Diversified | | | | |
| 144 | Non-Exchange Traded Corporate Equity | | | 1,455 |
| Financial | | | | |
| 49 | Exchange Traded Equity | | | 609 |
| Mortgage-related—Commercial (n) | | | | |
| n/a | Non-Controlling Equity Interest in Limited Liability Company | | | 1,149 |
| Mortgage-related—Residential (n) | | | | |
| 23 | Non-Exchange Traded Preferred Equity Investment in Mortgage Originators | | | 27,357 |
| 9,818 | Non-Exchange Traded Common Equity Investment in Mortgage Originators | | | 2,814 |
| Total North America (Cost $39,963) | | | | 39,820 |
| Europe (0.00%) | | | | |
| Consumer | | | | |
| 125 | Non-Exchange Traded Corporate Equity | | | — |
| Financial | | | | |
| — | Non-Exchange Traded Corporate Equity | | | 4 |
| Total Europe (Cost $4) | | | | 4 |
| Total Corporate Equity Investments (Cost $39,967) | | | | 39,824 |
| U.S. Treasury Securities (0.69%) | | | | |
| North America | | | | |
| Government | | | | |
| $1,995 | U.S. Treasury Note | 2.25% | 11/27 | 1,868 |
| 882 | U.S. Treasury Note | 2.75% | 7/23 | 874 |
| 806 | U.S. Treasury Note | 2.75% | 2/28 | 786 |
| 704 | U.S. Treasury Note | 2.63% | 8/20 | 702 |
| Total U.S. Treasury Securities (Cost $4,257) | | | | 4,230 |
| Total Long Investments (Cost $2,694,223) | | | | $ 2,670,069 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal (In thousands) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| Repurchase Agreements (26.01%) (a) (b) (o) | | | | |
| $50,313 | JP Morgan Securities LLC<br>Collateralized by Par Value $50,000<br>U.S. Treasury Note, Coupon 2.75%,<br>Maturity Date 5/23 | 2.28% | 10/18 | $ 50,313 |
| 42,282 | Bank of America Securities<br>Collateralized by Par Value $42,548<br>U.S. Treasury Note, Coupon 2.75%,<br>Maturity Date 7/23 | 2.25% | 10/18 | 42,282 |
| 23,329 | JP Morgan Securities LLC<br>Collateralized by Par Value $23,329<br>U.S. Treasury Note, Coupon 2.88%<br>Maturity Date 8/28 | 2.03% | 10/18 | 23,329 |
| 10,536 | JP Morgan Securities LLC<br>Collateralized by Par Value $10,102<br>Sovereign Government Bond, Coupon 0.75%,<br>Maturity Date 7/21 | (0.55)% | 12/18 | 10,536 |
| 9,534 | JP Morgan Securities LLC<br>Collateralized by Par Value $9,161<br>Sovereign Government Bond, Coupon 2.75%,<br>Maturity Date 4/19 | (0.55)% | 12/18 | 9,534 |
| 5,676 | CILO 2016-LD1 Holdings LLC (p)<br>Collateralized by Par Value $9,511<br>Exchange-Traded Debt, Coupon 5.50%,<br>Maturity Date 7/22 | 3.98% | 12/18 | 5,676 |
| 3,020 | Bank of America Securities<br>Collateralized by Par Value $3,094<br>U.S. Treasury Note, Coupon 2.75%,<br>Maturity Date 2/28 | 2.30% | 10/18 | 3,020 |
| 2,732 | Barclays Capital Inc<br>Collateralized by Par Value $2,495<br>Exchange-Traded Corporate Debt, Coupon 5.63%,<br>Maturity Date 10/23 | (0.25)% | 10/18 | 2,732 |
| 2,029 | Societe Generale<br>Collateralized by Par Value $1,850<br>Exchange-Traded Corporate Debt, Coupon 7.50%,<br>Maturity Date 4/24 | (1.15)% | 10/18 | 2,029 |
| 2,025 | RBC Capital Markets LLC<br>Collateralized by Par Value $1,985<br>Exchange-Traded Corporate Debt, Coupon 5.13%,<br>Maturity Date 11/23 | 1.60% | 10/18 | 2,025 |
| 1,358 | Bank of America Securities | 2.30% | 10/18 | 1,358 |

Collateralized by Par Value $1,355
U.S. Treasury Note, Coupon 2.75%,
Maturity Date 4/23

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal (In thousands) (continued) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| $1,342 | Barclays Capital Inc Collateralized by Par Value $1,295 Exchange-Traded Corporate Debt, Coupon 5.88%, Maturity Date 10/20 | —% | 10/18 | $ 1,342 |
| 1,139 | CS First Boston Collateralized by Par Value $1,110 Exchange-Traded Corporate Debt, Coupon 8.00%, Maturity Date 6/27 | (2.00)% | 10/18 | 1,139 |
| 788 | RBC Capital Markets LLC Collateralized by Par Value $745 Exchange-Traded Corporate Debt, Coupon 5.13%, Maturity Date 9/24 | 1.75% | 10/18 | 788 |
| 741 | Bank of America Securities Collateralized by Par Value $770 U.S. Treasury Bond, Coupon 3.00%, Maturity Date 2/48 | 2.30% | 10/18 | 741 |
| 675 | Bank of America Securities Collateralized by Par Value $680 U.S. Treasury Note, Coupon 2.75%, Maturity Date 8/23 | 2.15% | 10/18 | 675 |
| 535 | Barclays Capital Inc Collateralized by Par Value $580 Exchange-Traded Corporate Debt, Coupon 4.50%, Maturity Date 4/22 | (2.00)% | 10/18 | 535 |
| 525 | RBC Capital Markets LLC Collateralized by Par Value $500 Exchange-Traded Corporate Debt, Coupon 5.75%, Maturity Date 10/22 | 1.80% | 10/18 | 525 |
| 470 | RBC Capital Markets LLC Collateralized by Par Value $470 Exchange-Traded Corporate Debt, Coupon 4.50%, Maturity Date 4/24 | 1.85% | 10/18 | 470 |
| 442 | Bank of America Securities Collateralized by Par Value $448 U.S. Treasury Note, Coupon 2.75%, Maturity Date 2/25 | 2.30% | 10/18 | 442 |
| 252 | Bank of America Securities Collateralized by Par Value $275 U.S. Treasury Bond, Coupon 2.75%, Maturity Date 8/47 | 2.30% | 10/18 | 252 |
| 243 | Barclays Capital Inc | (1.75)% | 10/18 | 243 |

Collateralized by Par Value $250
Exchange-Traded Corporate Debt, Coupon 4.50%,
Maturity Date 4/22

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal (In thousands) (continued) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| $239 | RBC Capital Markets LLC Collateralized by Par Value $255 Exchange-Traded Corporate Debt, Coupon 4.70%, Maturity Date 4/23 | 1.80% | 10/18 | $ 239 |
| 197 | RBC Capital Markets LLC Collateralized by Par Value $205 Exchange-Traded Corporate Debt, Coupon 8.25%, Maturity Date 6/23 | 1.25% | 10/18 | 197 |
| Total Repurchase Agreements (Cost $160,468) | | | | $ 160,422 |
| Investments Sold Short (-112.76%) (a) (b) | | | | |
| TBA - Fixed Rate Agency Securities Sold Short (-91.15%) (q) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| $(127,460) | Government National Mortgage Association (30 year) | 3.50% | 10/18 | $(126,713) |
| (92,883) | Government National Mortgage Association (30 year) | 4.00% | 10/18 | (94,440) |
| (84,000) | Federal Home Loan Mortgage Corporation (30 year) | 4.00% | 11/18 | (84,715) |
| (76,912) | Federal National Mortgage Association (30 year) | 3.50% | 10/18 | (75,689) |
| (32,000) | Federal National Mortgage Association (30 year) | 5.00% | 11/18 | (33,548) |
| (28,320) | Federal National Mortgage Association (15 year) | 3.50% | 10/18 | (28,465) |
| (25,797) | Federal Home Loan Mortgage Corporation (30 year) | 4.00% | 10/18 | (26,050) |
| (25,490) | Federal National Mortgage Association (15 year) | 3.00% | 10/18 | (25,176) |
| (23,631) | Federal Home Loan Mortgage Corporation (30 year) | 4.50% | 10/18 | (24,388) |
| (17,457) | Federal National Mortgage Association (30 year) | 3.00% | 10/18 | (16,703) |
| (13,610) | Federal National Mortgage Association (30 year) | 4.50% | 10/18 | (14,040) |
| (6,860) | Federal National Mortgage Association (30 year) | 5.50% | 10/18 | (7,325) |
| (4,617) | Federal National Mortgage Association (30 year) | 5.00% | 10/18 | (4,846) |
| Total TBA - Fixed Rate Agency Securities Sold Short (Proceeds -$564,232) | | | | (562,098) |
| Government Debt Sold Short (-11.74%) | | | | |
| North America (-8.56%) | | | | |
| Government | | | | |
| (36,380) | U.S. Treasury Note | 2.88% | 9/23 | (36,259) |
| (9,414) | U.S. Treasury Note | 2.88% | 8/28 | (9,271) |
| (2,300) | U.S. Treasury Note | 2.75% | 5/23 | (2,282) |
| (1,355) | U.S. Treasury Note | 2.75% | 4/23 | (1,344) |
| (1,004) | U.S. Treasury Note | 2.88% | 5/28 | (989) |
| (770) | U.S. Treasury Bond | 3.00% | 2/48 | (742) |
| (680) | U.S. Treasury Note | 2.75% | 8/23 | (674) |
| (562) | U.S. Treasury Note | 2.63% | 6/23 | (554) |
| (448) | U.S. Treasury Note | 2.75% | 2/25 | (442) |
| (275) | U.S. Treasury Bond | 2.75% | 8/47 | (252) |

| | |
|---|---|
| Total North America (Proceeds -$52,884) | (52,809 ) |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| Current Principal/Number of Shares | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| (continued) | | | | |
| Europe (-3.18%) | | | | |
| Government | | | | |
| $(19,263) | European Sovereign Bond | 0.75% - 2.75% | 4/19 - 7/21 | $ (19,633) |
| Total Europe (Proceeds -$19,605) | | | | (19,633) |
| Total Government Debt Sold Short (Proceeds -$72,489) | | | | (72,442) |
| Common Stock Sold Short (-3.80%) | | | | |
| North America | | | | |
| Financial | | | | |
| (649) | Exchange Traded Equity | | | (23,407) |
| Total Common Stock Sold Short (Proceeds -$23,855) | | | | (23,407) |
| Corporate Debt Sold Short (-6.07%) | | | | |
| North America | | | | |
| Basic Materials | | | | |
| $(2,080) | Various | 3.45% | 6/27 | (1,982) |
| Communications | | | | |
| (9,275) | Various | 3.40% - 7.50% | 9/23 - 3/27 | (9,327) |
| Consumer | | | | |
| (13,972) | Various | 4.50% - 5.88% | 10/20 - 11/24 | (14,041) |
| Energy | | | | |
| (3,810) | Various | 4.50% - 8.25% | 4/22 - 6/27 | (3,672) |
| Financial | | | | |
| (2,785) | Various | 3.75% - 5.13% | 9/24 - 6/27 | (2,854) |
| Industrial | | | | |
| (3,670) | Various | 3.55% - 5.90% | 10/24 - 2/27 | (3,677) |
| Technology | | | | |
| (905) | Various | 4.70% | 4/23 | (825) |
| Utilities | | | | |
| (940) | Various | 7.25% | 5/26 | (1,024) |
| Total Corporate Debt Sold Short (Proceeds -$37,110) | | | | (37,402) |
| Total Investments Sold Short (Proceeds -$697,686) | | | | $ (695,349) |

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| (In thousands) | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value |
|---|---|---|---|---|
| | | | | Expressed in U.S.Dollars |
| Financial Derivatives–Assets (5.08%) (a) (b) | | | | |
| Swaps (4.78%) | | | | |
| Long Swaps: | | | | |
| Credit Default Swaps on Corporate Bond Indices (r) | Credit | $ 47,501 | 6/19 - 6/23 | $ 1,596 |
| Credit Default Swaps on Asset-Backed Indices (r) | Credit | 920 | 12/37 - 11/59 | 10 |
| Interest Rate Swaps (s) | Interest Rates | 4,282 | 11/18 - 1/24 | 6 |
| North America | | | | |
| Credit Default Swaps on Corporate Bonds (r) | | | | |
| Basic Materials | Credit | 3,913 | 12/22 - 12/23 | 115 |
| Communications | Credit | 8,665 | 12/20 - 12/23 | 106 |
| Consumer | Credit | 19,846 | 6/20 - 12/23 | 2,490 |
| Energy | Credit | 6,230 | 6/22 - 12/23 | 201 |
| Financial | Credit | 2,505 | 12/23 | 361 |
| Industrial | Credit | 1,290 | 12/23 | 38 |
| Utilities | Credit | 1,175 | 6/23 | 197 |
| Total Credit Default Swaps on Corporate Bonds | | | | 3,508 |
| Short Swaps: | | | | |
| Credit Default Swaps on Asset-Backed Indices (t) | Credit | (18,668 ) | 5/46 - 11/59 | 3,053 |
| Interest Rate Swaps (u) | Interest Rates | (723,541 ) | 10/18 - 12/45 | 17,908 |
| Interest Rate Basis Swaps (aa) | Interest Rates | (12,900 ) | 6/19 | 4 |
| North America | | | | |
| Credit Default Swaps on Asset-Backed Securities (t) | | | | |
| Mortgage-related—Residential | Credit | (3,247 ) | 6/35 - 12/35 | 1,515 |
| Credit Default Swaps on Corporate Bonds (t) | | | | |
| Communications | Credit | (6,870 ) | 6/19 - 6/22 | 1,025 |
| Consumer | Credit | (7,665 ) | 12/18 - 12/22 | 201 |
| Energy | Credit | (5,855 ) | 3/19 - 9/21 | 23 |

| | | | | | |
|---|---|---|---|---|---|
| Industrial | Credit | (4,660 | ) | 6/23 | 267 |
| Technology | Credit | (5,590 | ) | 12/21 - 6/22 | 382 |
| Total Credit Default Swaps on Corporate Bonds | | | | | 1,898 |
| Total Return Swaps (v) | | | | | |
| Financial | Equity Market | (18,964 | ) | 7/19 - 10/19 | 2 |
| Total Total Return Swaps | | | | | 2 |
| Total Swaps (Net cost $20,892) | | | | | 29,500 |
| Options (0.00%) | | | | | |
| Purchased Options: | | | | | |
| Interest Rate Caps (x) | Interest Rates | 90,253 | | 10/18 - 5/19 | 1 |
| Total Options (Cost $3) | | | | | 1 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| (In thousands) | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value Expressed in U.S.Dollars |
|---|---|---|---|---|
| Futures (0.25%) | | | | |
| Short Futures: | | | | |
| U.S. Treasury Note Futures (y) | Interest Rates | $ (90,900) | 12/18 | $ 1,333 |
| Eurodollar Futures (ad) | Interest Rates | (98,000) | 3/19 - 6/20 | 23 |
| Currency Futures (z) | Currency | (48,710) | 12/18 | 184 |
| Total Futures | | | | 1,540 |
| Forwards (0.05%) | | | | |
| Short Forwards: | | | | |
| Currency Forwards (ab) | Currency | (37,272) | 12/18 | 297 |
| Total Forwards | | | | 297 |
| Total Financial Derivatives–Assets (Net cost $20,895) | | | | $ 31,338 |
| Financial Derivatives–Liabilities (-4.42%) (a) (b) | | | | |
| Swaps (-4.41%) | | | | |
| Long Swaps: | | | | |
| Credit Default Swaps on Asset-Backed Indices (r) | Credit | $ 6,486 | 3/49 - 11/60 | $ (718) |
| Interest Rate Swaps (s) | Interest Rates | 315,174 | 1/19 - 7/28 | (7,489) |
| North America | | | | |
| Credit Default Swaps on Corporate Bonds (r) | | | | |
| Communications | Credit | 12,328 | 12/21 - 6/23 | (1,191) |
| Consumer | Credit | 7,305 | 12/18 - 12/23 | (435) |
| Energy | Credit | 5,874 | 6/20 - 6/23 | (696) |
| Industrial | Credit | 5,020 | 6/23 | (287) |
| Technology | Credit | 1,560 | 12/22 - 6/23 | (178) |
| Total Credit Default Swaps on Corporate Bonds | | | | (2,787) |
| Recovery Swaps (w) | | | | |
| Consumer | Credit | 2,600 | 6/19 | (8) |
| Total Recovery Swaps | | | | (8) |

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

| (In thousands) | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value |
|---|---|---|---|---|
| | | | | Expressed in U.S.Dollars |
| Short Swaps: | | | | |
| Interest Rate Swaps (u) | Interest Rates | $ (58,000) | 4/20 - 9/23 | $ (205) |
| Credit Default Swaps on Corporate Bond Indices (t) | Credit | (235,784) | 6/19 - 12/23 | (9,797) |
| Total Return Swaps (ac) | Credit | (56,140) | 12/18 | (1,740) |
| North America | | | | |
| Credit Default Swaps on Corporate Bonds (t) | | | | |
| Basic Materials | Credit | (12,029) | 6/19 - 3/22 | (535) |
| Communications | Credit | (20,047) | 12/18 - 12/22 | (416) |
| Consumer | Credit | (49,120) | 12/18 - 12/23 | (2,670) |
| Energy | Credit | (15,265) | 12/18 - 6/23 | (463) |
| Financial | Credit | (355) | 9/22 | (56) |
| Industrial | Credit | (14,215) | 6/21 - 12/23 | (256) |
| Technology | Credit | (4,665) | 3/19 - 6/20 | (27) |
| Total Credit Default Swaps on Corporate Bonds | | | | (4,423) |
| Total Swaps (Net proceeds -$16,294) | | | | (27,167) |
| Futures (-0.00%) | | | | |
| Short Futures: | | | | |
| Eurodollar Futures (ad) | Interest Rates | (35,000) | 12/18 | (1) |
| Total Futures | | | | (1) |
| Forwards (-0.01%) | | | | |
| Short Forwards: | | | | |
| Currency Forwards (ab) | Currency | (6,464) | 12/18 | (58) |
| Total Forwards | | | | (58) |
| Total Financial Derivatives–Liabilities (Net proceeds -$16,294) | | | | $ (27,226) |

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONTINUED)
(UNAUDITED)

(a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
(b) Classification percentages are based on Total Equity.
(c) At September 30, 2018, the Company's long investments guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 82.74%, 41.87%, and 77.76% of Total Equity, respectively.
(d) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.
(e) Includes investment in collateralized loan obligation notes in the amount of $61.6 million that were issued and are managed by related parties of the Company. See Note 9 to the Notes to Consolidated Financial Statements.
(f) Loans and real estate owned are beneficially owned by the Company through participation certificates in the various trusts that hold such investments. See Note 9 to the Notes to Consolidated Financial Statements.
(g) Includes investments in participation certificates related to loans titled in the name of a related party of Ellington Management Group, L.L.C. Through its participation certificates, the Company has beneficial interests in the loan cash flows, net of servicing-related fees and expenses. At September 30, 2018 loans for which the Company has beneficial interests in the net cash flows, totaled $19.8 million. See Note 9 to the Notes to Consolidated Financial Statements.
(h) Includes investments in participation certificates related to loans held in a trust owned by a related party of Ellington Management Group, L.L.C. Through its participation certificates, the Company participates in the cash flows of the underlying loans held by the trust. At September 30, 2018 loans held in the related party trust for which the Company has participating interests in the cash flows, totaled $180.7 million. See Note 9 to the Notes to Consolidated Financial Statements.
(i) Represents the Company's beneficial interest in an entity, which is co-owned by an affiliate of Ellington Management Group, L.L.C. The entity owns subordinated notes issued by, as well as trust certificates representing ownership of, a securitization trust. See Note 6 and Note 9 to the Notes to Consolidated Financial Statements.
(j) Includes non-performing commercial mortgage loans in the amount of $3.5 million whereby principal and/or interest is past due and a maturity date is not applicable.
(k) As of September 30, 2018, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of $9.3 million.
(l) Number of properties not shown in thousands, represents actual number of properties owned.
(m) Includes $95.0 million of non-qualified mortgage loans that have been securitized and are held in a consolidated securitization trust. See Note 6 to the Notes to Consolidated Financial Statements.
(n) Represents the Company's investment in a related party. See Note 9 to the Notes to Consolidated Financial Statements.
(o) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.
(p) Repurchase agreement is between the Company and CILO 2016-LD1 Holdings LLC, an entity in which the Company has a beneficial interest and is co-owned by an affiliate of Ellington Management Group, L.L.C. CILO 2016-LD1 Holdings LLC owns subordinated notes issued by, as well as trust certificates representing ownership of, a securitization trust. See Note 9 to the Notes to Consolidated Financial Statements.
(q) At September 30, 2018, the Company's short investments guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 33.37%, 21.92%, and 35.86% of Total Equity, respectively.
(r) For long credit default swaps, the Company sold protection.
(s) For long interest rate swap contracts, the Company pays a floating rate and receives a fixed rate.
(t) For short credit default swaps, the Company purchased protection.

(u) For short interest rate swap contracts, the Company pays a fixed rate and receives a floating rate.
(v) Notional value represents number of underlying shares multiplied by the closing price of the underlying security.
(w) For long recovery swaps the Company receives a specified recovery rate in exchange for the actual recovery rate on the underlying.
(x) Notional value represents the amount on which interest payments are calculated to the extent the market interest rate exceeds the rate cap on the contract.
(y) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of September 30, 2018, a total of 909 contracts were held.
(z) Notional value represents the total face amount of foreign currency underlying all contracts held; as of September 30, 2018, 411 contracts were held.
(aa) Represents interest rate "basis" swaps whereby the Company pays one floating rate and receives a different floating rate.
(ab) Notional value represents U.S. Dollars to be received by the Company at the maturity of the forward contract.
(ac) Notional value represents the number of underlying index units multiplied by the reference price.
(ad) Every $1,000,000 in notional value represents one contract.

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT SEPTEMBER 30, 2018 (CONCLUDED)
(UNAUDITED)

(ae) The table below shows the Company's long investment ratings from Moody's, Standard and Poor's, or Fitch, as well as the Company's long investments that were unrated but guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. Ratings tend to be a lagging credit indicator; as a result, the credit quality of the Company's long investment holdings may be lower than the credit quality implied based on the ratings listed below. In situations where an investment has a split rating, the lowest provided rating is used. The ratings descriptions include ratings qualified with a "+," "-," "1," "2," or "3."

| Rating Description | Percent of Equity |
|---|---|
| Unrated but Agency-Guaranteed | 202.37% |
| Aaa/AAA/AAA | 0.69 % |
| Aa/AA/AA | 0.90 % |
| A/A/A | 5.98 % |
| Baa/BBB/BBB | 6.06 % |
| Ba/BB/BB or below | 61.53 % |
| Unrated | 155.45% |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017
(UNAUDITED)

| Current Principal/Number of Shares | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| Cash Equivalents—Money Market Funds (4.27%) (a) (b) | | | | |
| North America Funds | | | | |
| $26,500 | Various | 1.17% | | $ 26,500 |
| Total Cash Equivalents—Money Market Funds (Cost $26,500) | | | | $ 26,500 |
| Long Investments (333.63%) (a) (b) (ad) | | | | |
| Mortgage-Backed Securities (208.70%) | | | | |
| Agency Securities (160.32%) (c) | | | | |
| Fixed-rate Agency Securities (145.75%) | | | | |
| Principal and Interest–Fixed-Rate Agency Securities (123.80%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| $130,885 | Federal National Mortgage Association Pools (30 Year) | 4.00% | 9/39 - 11/47 | $138,033 |
| 115,008 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 4.00% | 11/41 - 12/47 | 121,154 |
| 77,724 | Federal National Mortgage Association Pools (30 Year) | 3.50% | 9/42 - 12/47 | 80,245 |
| 60,698 | Federal National Mortgage Association Pools (30 Year) | 4.50% | 10/41 - 12/47 | 65,178 |
| 51,851 | Federal National Mortgage Association Pools (15 Year) | 3.50% | 3/28 - 3/32 | 53,894 |
| 47,555 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 4.50% | 9/43 - 12/47 | 50,980 |
| 42,239 | Government National Mortgage Association Pools (30 Year) | 4.00% | 7/45 - 12/47 | 44,414 |
| 33,982 | Government National Mortgage Association Pools (30 Year) | 3.50% | 7/45 - 12/47 | 35,235 |
| 32,061 | Federal National Mortgage Association Pools (30 Year) | 5.00% | 10/35 - 12/44 | 34,664 |
| 23,002 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 3.50% | 1/42 - 9/47 | 23,753 |
| 21,561 | Government National Mortgage Association Pools (30 Year) | 4.50% | 9/46 - 12/47 | 22,924 |
| 20,544 | Federal National Mortgage Association Pools (15 Year) | 3.00% | 4/30 - 9/32 | 20,986 |
| 9,405 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 3.50% | 9/28 - 12/32 | 9,764 |
| 8,960 | Federal Home Loan Mortgage Corporation Pools (Other) | 3.50% | 2/30 - 9/46 | 9,221 |
| 8,156 | Federal National Mortgage Association Pools (15 Year) | 4.00% | 6/26 - 5/31 | 8,562 |
| 5,410 | Federal National Mortgage Association Pools (Other) | 5.00% | 9/43 - 1/44 | 5,888 |
| 4,981 | Federal National Mortgage Association Pools (Other) | 4.00% | 6/37 - 12/47 | 5,159 |
| 3,833 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 3.00% | 4/30 - 9/32 | 3,912 |
| 3,579 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 3.00% | 7/43 - 10/45 | 3,587 |
| 3,519 | Government National Mortgage Association Pools (30 Year) | 3.00% | 11/42 - 12/42 | 3,547 |
| 2,906 | Government National Mortgage Association Pools (30 Year) | 3.75% | 7/47 | 3,025 |
| 2,877 | Federal National Mortgage Association Pools (Other) | 4.50% | 5/41 | 3,021 |

| | | | | |
|---|---|---|---|---|
| 2,794 | Federal National Mortgage Association Pools (15 Year) | 4.50% | 4/26 | 2,973 |
| 2,671 | Federal Home Loan Mortgage Corporation Pools (Other) | 4.50% | 5/44 | 2,875 |
| 2,791 | Federal National Mortgage Association Pools (30 Year) | 3.00% | 1/42 - 6/45 | 2,804 |
| 2,335 | Federal National Mortgage Association Pools (30 Year) | 5.50% | 10/39 | 2,569 |
| 1,633 | Federal National Mortgage Association Pools (20 Year) | 4.00% | 12/33 | 1,728 |
| 1,463 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 4.00% | 2/29 | 1,531 |
| 1,207 | Federal National Mortgage Association Pools (30 Year) | 6.00% | 9/39 - 2/40 | 1,360 |
| 1,175 | Federal Home Loan Mortgage Corporation Pools (Other) | 3.00% | 6/28 - 3/30 | 1,193 |
| 1,023 | Federal Home Loan Mortgage Corporation Pools (20 Year) | 4.50% | 12/33 | 1,099 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal/Notional Value | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| (continued) | | | | |
| $864 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 6.00% | 5/40 | $ 969 |
| 644 | Government National Mortgage Association Pools (Other) | 3.50% | 10/30 - 2/32 | 647 |
| 516 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 5.50% | 8/33 - 11/38 | 565 |
| 488 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 5.00% | 7/44 | 526 |
| 492 | Federal National Mortgage Association Pools (Other) | 3.50% | 4/26 | 504 |
| 150 | Government National Mortgage Association Pools (Other) | 3.00% | 6/30 | 150 |
| 112 | Federal National Mortgage Association Pools (30 Year) | 3.28% | 6/42 | 112 |
| | | | | 768,751 |
| Interest Only–Fixed-Rate Agency Securities (2.03%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 21,942 | Government National Mortgage Association | 4.00% | 2/45 - 6/45 | 3,686 |
| 5,867 | Government National Mortgage Association | 6.00% | 6/38 - 8/39 | 1,173 |
| 6,286 | Federal National Mortgage Association | 4.50% | 12/20 - 6/44 | 928 |
| 5,437 | Government National Mortgage Association | 4.50% | 2/41 - 7/44 | 914 |
| 4,116 | Federal National Mortgage Association | 5.50% | 10/39 | 907 |
| 4,660 | Government National Mortgage Association | 5.50% | 11/43 | 801 |
| 4,350 | Federal Home Loan Mortgage Corporation | 3.50% | 12/32 | 628 |
| 7,145 | Federal Home Loan Mortgage Corporation | 5.00% | 11/38 | 598 |
| 4,185 | Federal National Mortgage Association | 4.00% | 5/39 - 11/43 | 521 |
| 5,074 | Federal Home Loan Mortgage Corporation | 5.50% | 1/39 - 9/39 | 494 |
| 4,100 | Federal National Mortgage Association | 5.00% | 1/38 - 5/40 | 493 |
| 2,038 | Federal National Mortgage Association | 6.00% | 1/40 | 371 |
| 74,967 | Government National Mortgage Association | 0.26% | 6/40 | 352 |
| 1,699 | Federal Home Loan Mortgage Corporation | 4.50% | 7/43 | 256 |
| 2,677 | Federal National Mortgage Association | 3.00% | 9/41 | 247 |
| 1,000 | Government National Mortgage Association | 4.75% | 7/40 | 178 |
| 1,168 | Government National Mortgage Association | 5.00% | 5/37 | 47 |
| | | | | 12,594 |
| TBA–Fixed-Rate Agency Securities (19.92%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 42,884 | Government National Mortgage Association (30 Year) | 4.00% | 1/18 | 44,738 |
| 35,719 | Government National Mortgage Association (30 Year) | 4.50% | 1/18 | 37,504 |
| 27,340 | Federal Home Loan Mortgage Corporation (30 Year) | 3.50% | 1/18 | 28,085 |
| 9,403 | Federal National Mortgage Association (30 Year) | 4.00% | 1/18 | 9,835 |
| 2,100 | Government National Mortgage Association (30 Year) | 3.00% | 1/18 | 2,119 |
| 890 | Government National Mortgage Association (30 Year) | 3.50% | 1/18 | 920 |
| 470 | Federal Home Loan Mortgage Corporation (15 Year) | 3.00% | 1/18 | 479 |
| | | | | 123,680 |

| | |
|---|---|
| Total Fixed-Rate Agency Securities (Cost $911,909) | 905,025 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal /Notional Value (In thousands) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| Floating Rate Agency Securities (14.57%) | | | | |
| Principal and Interest–Floating Rate Agency Securities (11.10%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| $56,137 | Government National Mortgage Association Pools | 3.59% - 4.68% | 7/61 - 10/67 | $ 60,866 |
| 4,806 | Federal National Mortgage Association Pools | 2.79% - 3.69% | 9/35 - 5/45 | 4,999 |
| 2,963 | Federal Home Loan Mortgage Corporation Pools | 3.49% - 4.80% | 6/37 - 5/44 | 3,068 |
| | | | | 68,933 |
| Interest Only–Floating Rate Agency Securities (3.47%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 313,840 | Other Government National Mortgage Association | 0.41% - 5.31% | 3/37 - 10/66 | 16,248 |
| 30,729 | Other Federal National Mortgage Association | 4.30% - 6.00% | 6/33 - 12/41 | 3,506 |
| 11,211 | Other Federal Home Loan Mortgage Corporation | 4.52% - 5.15% | 3/36 - 4/40 | 1,436 |
| 10,619 | Resecuritization of Government National Mortgage Association (d) | 3.25% | 8/60 | 366 |
| | | | | 21,556 |
| Total Floating Rate Agency Securities (Cost $91,413) | | | | 90,489 |
| Total Agency Securities (Cost $1,003,322) | | | | 995,514 |
| Private Label Securities (48.38%) | | | | |
| Principal and Interest–Private Label Securities (47.12%) | | | | |
| North America (29.16%) | | | | |
| Mortgage-related—Residential | | | | |
| 232,771 | Various | 0.00% - 30.29% | 5/19 - 9/46 | 154,887 |
| Mortgage-related—Commercial | | | | |
| 80,114 | Various | 2.05% - 4.41% | 8/35 - 9/58 | 26,155 |
| Total North America (Cost $172,285) | | | | 181,042 |
| Europe (17.96%) | | | | |
| Mortgage-related—Residential | | | | |
| 127,469 | Various | 0.00% - 5.50% | 6/25 - 1/61 | 99,923 |
| Mortgage-related—Commercial | | | | |
| 23,752 | Various | 0.37% - 5.03% | 10/20 - 2/41 | 11,601 |
| Total Europe (Cost $106,518) | | | | 111,524 |
| Total Principal and Interest–Private Label Securities (Cost $278,803) | | | | 292,566 |
| Interest Only–Private Label Securities (1.26%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 36,008 | Various | 0.00% - 2.00% | 12/30 - 9/47 | 4,856 |
| Mortgage-related—Commercial | | | | |

| | | | | |
|---|---|---|---|---|
| 39,871 | Various | 1.25% - 2.00% | 3/49 - 12/49 | 2,989 |
| Total Interest Only–Private Label Securities (Cost $5,334) | | | | 7,845 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal /Notional Value | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| Other Private Label Securities (0.00%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| $79,487 | Various | —% | 6/37 | $ — |
| Mortgage-related—Commercial | | | | |
| — | Various | —% | 7/45 - 12/49 | — |
| Total Other Private Label Securities (Cost $215) | | | | — |
| Total Private Label Securities (Cost $284,352) | | | | 300,411 |
| Total Mortgage-Backed Securities (Cost $1,287,674) | | | | 1,295,925 |
| Collateralized Loan Obligations (33.95%) | | | | |
| North America (27.40%) (e) | | | | |
| 278,601 | Various | 0.00% - 10.04% | 1/18 - 11/57 | 170,123 |
| Total North America (Cost $174,635) | | | | 170,123 |
| Europe (6.55%) | | | | |
| 42,101 | Various | 0.00% - 7.95% | 4/22 - 1/27 | 40,693 |
| Total Europe (Cost $38,363) | | | | 40,693 |
| Total Collateralized Loan Obligations (Cost $212,998) | | | | 210,816 |
| Consumer Loans and Asset-backed Securities backed by Consumer Loans (21.78%) (f) | | | | |
| North America (21.34%) | | | | |
| Consumer (g) (h) | | | | |

| | | | | |
|---|---|---|---|---|
| 151,753 | Various | 5.31% - 76.28% | 1/18 - 9/22 | 132,509 |
| Total North America (Cost $138,312) | | | | 132,509 |
| Europe (0.44%) | | | | |
| Consumer | | | | |
| 3,711 | Various | —% | 8/24 - 12/30 | 2,749 |
| Total Europe (Cost $1,075) | | | | 2,749 |
| Total Consumer Loans and Asset-backed Securities backed by Consumer Loans (Cost $139,387) | | | | 135,258 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal/Number of Properties | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| Corporate Debt (12.11%) | | | | |
| North America (9.76%) | | | | |
| Basic Materials | | | | |
| $6,025 | Various | 6.88% - 7.00% | 8/25 - 3/27 | $ 6,254 |
| Communications | | | | |
| 8,490 | Various | 3.40% - 11.57% | 4/20 - 8/27 | 8,523 |
| Consumer | | | | |
| 21,993 | Various | 2.60% - 9.73% | 1/19 - 12/34 | 23,043 |
| Energy | | | | |
| 9,665 | Various | 4.50% - 9.63% | 3/19 - 8/25 | 10,266 |
| Financial | | | | |
| 560 | Various | 5.13% | 9/24 | 606 |
| Industrial | | | | |
| 2,250 | Various | 3.75% | 12/21 | 2,286 |
| Mortgage-related—Residential (n) | | | | |
| 5,429 | Various | 15.00% | 10/19 | 5,429 |
| Technology | | | | |
| 4,300 | Various | 3.63% - 7.50% | 10/21 - 8/22 | 4,211 |
| Total North America (Cost $60,640) | | | | 60,618 |
| Europe (2.35%) | | | | |
| Consumer | | | | |
| 20,070 | Various | —% | 3/18 | 50 |
| Financial | | | | |
| 13,725 | Various | 0.00% - 15.67% | 10/20 - 11/22 | 13,437 |
| Industrial | | | | |
| 1,145 | Various | 1.59% | 3/21 | 1,088 |
| Total Europe (Cost $15,312) | | | | 14,575 |
| Total Corporate Debt (Cost $75,952) | | | | 75,193 |
| Mortgage Loans (46.83%) (f) | | | | |
| North America | | | | |
| Mortgage-related—Commercial (j) | | | | |
| 116,707 | Various | 3.14% - 12.87% | 2/18 - 10/37 | 108,301 |
| Mortgage-related—Residential (l) (m) | | | | |
| 181,553 | Various | 2.00% - 12.63% | 4/22 - 4/57 | 182,472 |
| | | | | 290,773 |

| | | |
|---|---|---|
| Total Mortgage Loans (Cost $288,034) | | |
| Real Estate Owned (4.23%) (f) (k) | | |
| North America | | |
| Real estate-related | | |
| 3 | Single-Family Houses | 591 |
| 9 | Commercial Properties | 25,686 |
| Total Real Estate Owned (Cost $26,146) | | 26,277 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Number of Shares | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| | Corporate Equity Investments (6.03%) | | | |
| | North America (6.03%) | | | |
| | Asset-Backed Securities | | | |
| n/a | Non-Controlling Equity Interest in Limited Liability Company (i) | | | $ 5,033 |
| | Communications | | | |
| 7 | Non-Exchange Traded Corporate Equity | | | 557 |
| | Consumer | | | |
| n/a | Non-Controlling Equity Interest in Limited Liability Company (i) | | | 5,693 |
| 1,540 | Non-Exchange Traded Corporate Equity | | | 5 |
| | Diversified | | | |
| 156 | Non-Exchange Traded Corporate Equity | | | 2,585 |
| | Mortgage-related—Residential (n) | | | |
| 20 | Non-Exchange Traded Preferred Equity Investment in Mortgage Originators | | | 20,774 |
| 9,818 | Non-Exchange Traded Common Equity Investment in Mortgage Originators | | | 2,814 |
| | Total North America (Cost $41,559) | | | 37,461 |
| | Europe (0.00%) | | | |
| | Consumer | | | |
| 125 | Non-Exchange Traded Corporate Equity | | | — |
| | Financial | | | |
| — | Non-Exchange Traded Corporate Equity | | | 4 |
| | Total Europe (Cost $4) | | | 4 |
| | Total Corporate Equity Investments (Cost $41,563) | | | 37,465 |
| | Total Long Investments (Cost $2,071,754) | | | $ 2,071,707 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal (In thousands) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| | Repurchase Agreements (25.11%) (a) (b) (o) | | | |
| $30,310 | Bank of America Securities Collateralized by Par Value $30,501 U.S. Treasury Note, Coupon 2.25% Maturity Date 2/27 | 1.45% | 1/18 | $ 30,310 |
| 16,578 | Barclays Capital Inc Collateralized by Par Value $16,516 Sovereign Government Bond, Coupon 0.25% Maturity Date 4/18 | (0.57)% | 1/18 | 16,578 |
| 14,548 | Barclays Capital Inc Collateralized by Par Value $14,228 Sovereign Government Bond, Coupon 0.25% Maturity Date 11/20 | (0.62)% | 1/18 | 14,548 |
| 13,965 | Bank of America Securities Collateralized by Par Value $14,000 U.S. Treasury Note, Coupon 1.88% Maturity Date 12/20 | 1.00% | 1/18 | 13,965 |
| 10,760 | Barclays Capital Inc Collateralized by Par Value $10,447 Sovereign Government Bond, Coupon 0.75% Maturity Date 7/21 | (0.65)% | 1/18 | 10,760 |
| 10,043 | Barclays Capital Inc Collateralized by Par Value $9,474 Sovereign Government Bond, Coupon 2.75% Maturity Date 4/19 | (0.57)% | 1/18 | 10,043 |
| 9,764 | Barclays Capital Inc Collateralized by Par Value $9,400 Sovereign Government Bond, Coupon 1.15% Maturity Date 7/20 | (0.57)% | 1/18 | 9,764 |
| 9,588 | Barclays Capital Inc Collateralized by Par Value $9,400 Sovereign Government Bond, Coupon 0.65% Maturity Date 11/20 | (0.58)% | 1/18 | 9,588 |
| 5,895 | Bank of America Securities Collateralized by Par Value $6,000 U.S. Treasury Note, Coupon 1.75% Maturity Date 5/22 | 1.45% | 1/18 | 5,895 |
| 5,707 | CILO 2016-LD1 Holdings LLC (p) Collateralized by Par Value $9,512 Exchange-Traded Debt, Coupon 5.50%, Maturity Date 7/22 | 3.34% | 3/18 | 5,707 |
| 4,921 | Barclays Capital Inc | (2.00)% | 1/18 | 4,921 |

Collateralized by Par Value $4,720
Exchange-Traded Corporate Debt, Coupon 5.88%
Maturity Date 10/20

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal (In thousands) (continued) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| $3,122 | RBC Capital Markets LLC<br>Collateralized by Par Value $3,860<br>Exchange-Traded Corporate Debt, Coupon 10.50%<br>Maturity Date 9/22 | 1.05% | 1/18 | $ 3,122 |
| 2,790 | CS First Boston<br>Collateralized by Par Value $2,794<br>Exchange-Traded Corporate Debt, Coupon 8.00%<br>Maturity Date 6/27 | (1.00)% | 1/18 | 2,790 |
| 2,192 | Bank of America Securities<br>Collateralized by Par Value $2,223<br>U.S. Treasury Note, Coupon 2.25%<br>Maturity Date 11/27 | 0.45% | 1/18 | 2,192 |
| 2,164 | Societe Generale<br>Collateralized by Par Value $2,560<br>Exchange-Traded Corporate Debt, Coupon 10.50%<br>Maturity Date 9/22 | 1.10% | 1/18 | 2,164 |
| 2,151 | JP Morgan Securities LLC<br>Collateralized by Par Value $2,170<br>Exchange-Traded Corporate Debt, Coupon 4.88%<br>Maturity Date 4/22 | (2.75)% | 1/18 | 2,151 |
| 1,979 | Barclays Capital Inc<br>Collateralized by Par Value $1,850<br>Exchange-Traded Corporate Debt, Coupon 7.50%<br>Maturity Date 4/24 | (0.25)% | 1/18 | 1,979 |
| 1,320 | RBC Capital Markets LLC<br>Collateralized by Par Value $1,300<br>Exchange-Traded Corporate Debt, Coupon 8.25%<br>Maturity Date 6/23 | 0.65% | 1/18 | 1,320 |
| 1,283 | Barclays Capital Inc<br>Collateralized by Par Value $1,285<br>Exchange-Traded Corporate Debt, Coupon 6.75%<br>Maturity Date 6/23 | (2.00)% | 1/18 | 1,283 |
| 1,079 | RBC Capital Markets LLC<br>Collateralized by Par Value $1,110<br>Exchange-Traded Corporate Debt, Coupon 6.75%<br>Maturity Date 6/23 | (2.25)% | 1/18 | 1,079 |
| 890 | RBC Capital Markets LLC<br>Collateralized by Par Value $970<br>Exchange-Traded Corporate Debt, Coupon 5.50%<br>Maturity Date 10/24 | (4.50)% | 1/18 | 890 |
| 737 | RBC Capital Markets LLC | (5.75)% | 1/18 | 737 |

Collateralized by Par Value $766
Exchange-Traded Corporate Debt, Coupon 6.25%
Maturity Date 10/22

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal (In thousands) (continued) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| $655 | RBC Capital Markets LLC<br>Collateralized by Par Value $591<br>Exchange-Traded Corporate Debt, Coupon 8.00%<br>Maturity Date 12/22 | 0.75% | 1/18 | $ 655 |
| 613 | JP Morgan Securities LLC<br>Collateralized by Par Value $615<br>U.S. Treasury Note, Coupon 2.00%<br>Maturity Date 11/22 | 0.30% | 1/18 | 613 |
| 580 | RBC Capital Markets LLC<br>Collateralized by Par Value $581<br>Exchange-Traded Corporate Debt, Coupon 8.00%<br>Maturity Date 6/27 | (1.25)% | 1/18 | 580 |
| 523 | RBC Capital Markets LLC<br>Collateralized by Par Value $500<br>Exchange-Traded Corporate Debt, Coupon 5.75%<br>Maturity Date 10/22 | 1.05% | 1/18 | 523 |
| 447 | CS First Boston<br>Collateralized by Par Value $464<br>Exchange-Traded Corporate Debt, Coupon 6.25%<br>Maturity Date 10/22 | (5.00)% | 1/18 | 447 |
| 414 | RBC Capital Markets LLC<br>Collateralized by Par Value $400<br>Exchange-Traded Corporate Debt, Coupon 5.25%<br>Maturity Date 3/22 | 0.95% | 1/18 | 414 |
| 282 | CS First Boston<br>Collateralized by Par Value $310<br>Exchange-Traded Corporate Debt, Coupon 5.50%<br>Maturity Date 10/24 | (4.00)% | 1/18 | 282 |
| 255 | Bank of America Securities<br>Collateralized by Par Value $281<br>U.S. Treasury Bond, Coupon 2.25%<br>Maturity Date 8/46 | 1.45% | 1/18 | 255 |
| 243 | Barclays Capital Inc<br>Collateralized by Par Value $250<br>Exchange-Traded Corporate Debt, Coupon 4.50%<br>Maturity Date 4/22 | (1.75)% | 1/18 | 243 |
| 151 | RBC Capital Markets LLC<br>Collateralized by Par Value $160<br>Exchange-Traded Corporate Debt, Coupon 2.88%<br>Maturity Date 2/23 | 0.50% | 1/18 | 151 |
| Total Repurchase Agreements (Cost $155,109) | | | | $ 155,949 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal (In thousands) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| Investments Sold Short (-103.43%) (a) (b) | | | | |
| TBA–Fixed Rate Agency Securities Sold Short (-74.11%) (q) | | | | |
| North America | | | | |
| Government | | | | |
| $(69,372) | Federal National Mortgage Association (30 year) | 3.50% | 1/18 | $ (71,247) |
| (68,000) | Federal Home Loan Mortgage Corporation (30 year) | 4.00% | 2/18 | (71,028) |
| (55,000) | Federal National Mortgage Association (30 year) | 4.00% | 2/18 | (57,447) |
| (43,220) | Federal National Mortgage Association (15 year) | 3.50% | 1/18 | (44,618) |
| (35,000) | Government National Mortgage Association (30 year) | 4.00% | 2/18 | (36,485) |
| (31,000) | Federal National Mortgage Association (30 year) | 4.50% | 2/18 | (32,942) |
| (27,547) | Federal Home Loan Mortgage Corporation (30 year) | 4.00% | 1/18 | (28,815) |
| (24,410) | Government National Mortgage Association (30 year) | 3.50% | 1/18 | (25,249) |
| (21,710) | Federal National Mortgage Association (30 year) | 4.50% | 1/18 | (23,097) |
| (21,520) | Federal National Mortgage Association (15 year) | 3.00% | 1/18 | (21,923) |
| (12,351) | Federal Home Loan Mortgage Corporation (30 year) | 4.50% | 1/18 | (13,134) |
| (12,112) | Federal National Mortgage Association (30 year) | 3.00% | 1/18 | (12,113) |
| (6,860) | Federal National Mortgage Association (30 year) | 5.50% | 1/18 | (7,520) |
| (5,680) | Federal National Mortgage Association (30 year) | 5.00% | 1/18 | (6,104) |
| (5,515) | Federal Home Loan Mortgage Corporation (30 year) | 3.00% | 1/18 | (5,517) |
| (1,800) | Government National Mortgage Association (30 year) | 3.00% | 1/18 | (1,813) |
| (1,100) | Federal Home Loan Mortgage Corporation (15 year) | 3.50% | 1/18 | (1,137) |
| Total TBA–Fixed Rate Agency Securities Sold Short (Proceeds -$459,953) | | | | (460,189) |
| Government Debt Sold Short (-14.52%) | | | | |
| North America (-8.54%) | | | | |
| Government | | | | |
| (30,501) | U.S. Treasury Note | 2.25% | 2/27 | (30,108) |
| (14,000) | U.S. Treasury Note | 1.88% | 12/20 | (13,961) |
| (6,000) | U.S. Treasury Note | 1.75% | 5/22 | (5,896) |
| (2,223) | U.S. Treasury Note | 2.25% | 11/27 | (2,192) |
| (615) | U.S. Treasury Note | 2.00% | 11/22 | (610) |
| (281) | U.S. Treasury Bond | 2.25% | 8/46 | (254) |
| Total North America (Proceeds -$53,322) | | | | (53,021) |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| Current Principal/Number of Shares | Description | Rate | Maturity | Fair Value |
|---|---|---|---|---|
| (In thousands) | | | | Expressed in U.S. Dollars |
| Europe (-5.98%) | | | | |
| Government | | | | |
| $(16,516) | Spanish Sovereign Bond | 0.25% | 4/18 | $ (16,556) |
| (10,447) | Spanish Sovereign Bond | 0.75% | 7/21 | (10,704) |
| (9,474) | Spanish Sovereign Bond | 2.75% | 4/19 | (9,868) |
| Total Europe (Proceeds -$35,149) | | | | (37,128) |
| Total Government Debt Sold Short (Proceeds -$88,471) | | | | (90,149) |
| Corporate Debt Sold Short (-8.89%) | | | | |
| North America | | | | |
| Communications | | | | |
| (18,590) | Various | 4.13% - 10.50% | 7/22 - 3/27 | (17,196) |
| Consumer | | | | |
| (23,805) | Various | 2.88% - 6.75% | 10/20 - 5/26 | (23,854) |
| Energy | | | | |
| (13,311) | Various | 3.25% - 8.25% | 4/22 - 6/27 | (12,834) |
| Financial | | | | |
| (960) | Various | 5.13% -5.25% | 3/22 - 9/24 | (1,019) |
| Technology | | | | |
| (330) | Various | 3.63% | 10/21 | (308) |
| Total Corporate Debt Sold Short (Proceeds -$55,112) | | | | (55,211) |
| Common Stock Sold Short (-5.91%) | | | | |
| North America | | | | |
| Energy | | | | |
| (1) | Exchange-Traded Equity | | | (68) |
| Financial | | | | |
| (671) | Exchange-Traded Equity | | | (36,623) |
| Total Common Stock Sold Short (Proceeds -$36,666) | | | | (36,691) |
| Total Investments Sold Short (Proceeds -$640,202) | | | | $ (642,240) |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| (In thousands) | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value<br>Expressed in U.S. Dollars |
|---|---|---|---|---|
| Financial Derivatives–Assets (4.54%) (a) (b) | | | | |
| Swaps (4.53%) | | | | |
| Long Swaps: | | | | |
| Credit Default Swaps on Corporate Bond Indices (r) | Credit | $25,338 | 12/18 - 12/22 | $ 1,429 |
| Interest Rate Swaps (s) | Interest Rates | 79,347 | 3/18 - 12/25 | 969 |
| Credit Default Swaps on Asset-Backed Indices (r) | Credit | 885 | 12/37 | 9 |
| North America | | | | |
| Credit Default Swaps on Corporate Bonds (r) | | | | |
| Basic Materials | Credit | 2,070 | 12/21 - 12/22 | 228 |
| Communications | Credit | 10,165 | 6/20 - 12/22 | 475 |
| Consumer | Credit | 41,725 | 3/19 - 12/22 | 2,525 |
| Energy | Credit | 8,250 | 6/19 - 6/22 | 99 |
| Financial | Credit | 1,180 | 12/21 | 194 |
| Utilities | Credit | 3,150 | 12/21 - 6/22 | 392 |
| Total Credit Default Swaps on Corporate Bonds | | | | 3,913 |
| Short Swaps: | | | | |
| Credit Default Swaps on Asset-Backed Indices (t) | Credit | (28,733 ) | 5/46 - 11/59 | 5,384 |
| Interest Rate Swaps (u) | Interest Rates | (866,398) | 2/18 - 11/30 | 8,277 |
| Interest Rate Basis Swaps (ab) | Interest Rates | (26,600 ) | 4/18 - 6/19 | 20 |
| Total Return Swaps | | | | |
| Financial (v) | Equity Market | (10,317 ) | 7/19 | — |
| Total Total Return Swaps | | | | — |
| North America | | | | |
| Credit Default Swaps on Asset-Backed Securities (t) | | | | |
| Mortgage-related—residential | Credit | (5,688 ) | 5/35 - 12/35 | 3,140 |
| Total Credit Default Swaps on Asset-Backed Securities | | | | 3,140 |
| Credit Default Swaps on Corporate Bonds (t) | | | | |
| Basic Materials | Credit | (2,590 ) | 6/21 - 6/22 | 77 |
| Communications | Credit | (21,975 ) | 12/18 - 6/22 | 3,386 |
| Consumer | Credit | (11,385 ) | 12/18 - 12/22 | 211 |
| Energy | Credit | (28,392 ) | 6/18 - 12/22 | 849 |
| Technology | Credit | (4,025 ) | 12/21 - 6/22 | 452 |
| Total Credit Default Swaps on Corporate Bonds | | | | 4,975 |
| Total Swaps (Net cost $31,392) | | | | 28,116 |
| Options (0.00%) | | | | |
| Purchased Options: | | | | |
| Interest Rate Caps (x) | Interest Rates | 113,453 | 3/18 - 5/19 | 1 |
| North America | | | | |
| Equity Call Options (aa) | | | | |
| Consumer | Equity Market | 16 | 1/18 | 3 |

| | |
|---|---|
| Total Options (Cost $82) | 4 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| (In thousands) | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value Expressed in U.S. Dollars |
|---|---|---|---|---|
| Futures (0.01%) | | | | |
| Short Futures | | | | |
| U.S. Treasury Note Futures (y) | Interest Rates | $(6,800) | 3/18 | $ 45 |
| Total Futures | | | | 45 |
| Total Financial Derivatives–Assets (Net cost $31,474) | | | | $ 28,165 |
| Financial Derivatives–Liabilities (-5.84%) (a) (b) | | | | |
| Swaps (-5.68%) | | | | |
| Long Swaps: | | | | |
| Credit Default Swaps on Asset-Backed Indices (r) | Credit | $6,827 | 3/49 - 5/63 | $ (980) |
| Interest Rate Swaps (s) | Interest Rates | 374,003 | 11/18 - 12/27 | (5,852) |
| North America | | | | |
| Credit Default Swaps on Corporate Bonds (r) | | | | |
| Basic Materials | Credit | 2,590 | 6/21 - 6/22 | (77) |
| Communications | Credit | 26,213 | 6/21 - 12/22 | (5,974) |
| Consumer | Credit | 12,561 | 6/20 - 12/22 | (293) |
| Energy | Credit | 33,654 | 6/21 - 12/22 | (2,736) |
| Technology | Credit | 380 | 12/22 | (53) |
| Total Credit Default Swaps on Corporate Bonds | | | | (9,133) |
| Total Return Swaps | | | | |
| Financial (v) | Equity Market | 235 | 7/19 - 5/22 | — |
| Total Total Return Swaps | | | | — |
| Recovery Swaps (w) | | | | |
| Consumer | Credit | 2,600 | 6/19 | (8) |
| Total Recovery Swaps | | | | (8) |

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONTINUED)
(UNAUDITED)

| (In thousands) | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value<br>Expressed in U.S. Dollars |
|---|---|---|---|---|
| Short Swaps: | | | | |
| Interest Rate Swaps (u) | Interest Rates | $(59,246) | 9/20 - 12/45 | $ (163) |
| Credit Default Swaps on Corporate Bond Indices (t) | Credit | (267,034) | 12/18 - 6/22 | (12,367) |
| North America | | | | |
| Credit Default Swaps on Corporate Bonds (t) | | | | |
| Basic Materials | Credit | (12,285) | 6/19 - 12/22 | (1,075) |
| Communications | Credit | (7,243) | 12/18 - 12/22 | (304) |
| Consumer | Credit | (58,672) | 6/18 - 12/22 | (4,274) |
| Energy | Credit | (21,750) | 6/18 - 6/22 | (374) |
| Financial | Credit | — | 6/22 | — |
| Industrial | Credit | (4,410) | 6/21 - 12/21 | (86) |
| Technology | Credit | (2,020) | 6/19 - 12/22 | (181) |
| Utilities | Credit | (4,455) | 6/19 - 12/22 | (495) |
| Total Credit Default Swaps on Corporate Bonds | | | | (6,789) |
| Total Swaps (Net proceeds -$27,463) | | | | (35,292) |
| Futures (-0.08%) | | | | |
| Short Futures: | | | | |
| Currency Futures (z) | Currency | (27,000) | 3/18 | (508) |
| Total Futures | | | | (508) |
| Forwards (-0.08%) | | | | |
| Short Forwards: | | | | |
| Currency Forwards (ac) | Currency | (42,306) | 3/18 | (473) |
| Total Forwards | | | | (473) |
| Total Financial Derivatives–Liabilities (Net proceeds -$27,463) | | | | $ (36,273) |

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2017 (CONCLUDED)
(UNAUDITED)

(a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
(b) Classification percentages are based on Total Equity.
(c) At December 31, 2017, the Company's long investments guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 72.39%, 42.86%, and 45.07% of Total Equity, respectively.
(d) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.
(e) Includes investment in collateralized loan obligation notes in the amount of $37.7 million that were issued and are managed by related parties of the Company. See Note 9 to the Notes to Consolidated Financial Statements.
(f) Loans and real estate owned are beneficially owned by the Company through participation certificates in the various trusts that hold such investments. See Note 9 to the Notes to Consolidated Financial Statements.
(g) Includes investments in participation certificates related to loans titled in the name of a related party of Ellington Financial Management, LLC. Through its participation certificates, the Company has beneficial interests in the loan cash flows, net of servicing-related fees and expenses. At December 31, 2017 loans for which the Company has beneficial interests in the net cash flows, totaled $11.7 million. See Note 9 to the Notes to Consolidated Financial Statements.
(h) Includes investments in participation certificates related to loans held in a trust owned by a related party of Ellington Management Group, L.L.C. Through its participation certificates, the Company participates in the cash flows of the underlying loans held by the trust. At December 31, 2017 loans held in the related party trust for which the Company has participating interests in the cash flows, totaled $114.5 million. See Note 9 to the Notes to Consolidated Financial Statements.
(i) Represents the Company's beneficial interest in an entity, which is co-owned by an affiliate of Ellington Management Group, L.L.C. The entity owns subordinated notes issued by, as well as trust certificates representing ownership of, a securitization trust. See Note 6 and Note 9 to the Notes to Consolidated Financial Statements.
(j) Includes non-performing commercial mortgage loans in the amount of $23.9 million whereby principal and/or interest is past due and a maturity date is not applicable.
(k) Number of properties not shown in thousands, represents actual number of properties owned.
(l) As of December 31, 2017, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of $5.2 million.
(m) Includes $132.4 million of non-qualified mortgage loans that have been securitized and are held in a consolidated securitization trust. See Note 6 to the Notes to Consolidated Financial Statements.
(n) Represents the Company's investment in a related party. See Note 9 to the Notes to Consolidated Financial Statements.
(o) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.
(p) Repurchase agreement is between the Company and CILO 2016-LD1 Holdings LLC, an entity in which the Company has a beneficial interest and is co-owned by an affiliate of Ellington Management Group, L.L.C. CILO 2016-LD1 Holdings LLC owns subordinated notes issued by, as well as trust certificates representing ownership of, a securitization trust. See Note 9 to the Notes to Consolidated Financial Statements.
(q) At December 31, 2017, the Company's short investments guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 44.61%, 19.27%, and 10.23% of Total Equity, respectively.
(r) For long credit default swaps, the Company sold protection.
(s) For long interest rate swap contracts, the Company pays a floating rate and receives a fixed rate.
(t) For short credit default swaps, the Company purchased protection.

(u) For short interest rate swap contracts, the Company pays a fixed rate and receives a floating rate.
(v) Notional value represents number of underlying shares multiplied by the closing price of the underlying security.
(w) For long recovery swaps the Company receives a specified recovery rate in exchange for the actual recovery rate on the underlying.
(x) Notional value represents the amount on which interest payments are calculated to the extent the market interest rate exceeds the rate cap on the contract.
(y) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of December 31, 2017, 68 contracts were held.
(z) Notional value represents the total face amount of foreign currency underlying all contracts held; as of December 31, 2017, 216 contracts were held.
(aa) Notional value represents the number of common shares we have the option to purchase multiplied by the strike price.
(ab) Represents interest rate "basis" swaps whereby the Company pays one floating rate and receives a different floating rate.
(ac) Notional value represents U.S. Dollars to be received by the Company at the maturity of the forward contract.
(ad) The table below shows the ratings on the Company's long investments from Moody's, Standard and Poor's, or Fitch, as well as the Company's long investments that were unrated but guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. Ratings tend to be a lagging credit indicator; as a result, the credit quality of the Company's long investment holdings may be lower than the credit quality implied based on the ratings listed below. In situations where an investment has a split rating, the lowest provided rating is used. The ratings descriptions include ratings qualified with a "+," "-," "1," "2," or "3."

| Rating Description | Percent of Equity |
|---|---|
| Unrated but Agency-Guaranteed | 160.32% |
| A/A/A | 0.81 % |
| Baa/BBB/BBB | 2.62 % |
| Ba/BB/BB or below | 68.03 % |
| Unrated | 101.85% |

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

| | Three-Month Period Ended September 30, | | Nine-Month Period Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| (In thousands except per share amounts) | Expressed in U.S. Dollars | | | |
| INVESTMENT INCOME | | | | |
| Interest income(1) | $35,300 | $21,145 | $95,333 | $65,819 |
| Other income | 1,046 | 1,232 | 2,857 | 3,043 |
| Total investment income | 36,346 | 22,377 | 98,190 | 68,862 |
| EXPENSES | | | | |
| Base management fee to affiliate (Net of fee rebates of $423, $172, $950, and $172, respectively)(2) | 1,830 | 2,161 | 5,829 | 6,942 |
| Incentive fee to affiliate | 424 | — | 715 | — |
| Interest expense(1) | 15,678 | 8,166 | 40,624 | 21,794 |
| Other investment related expenses(3) | | | | |
| Servicing expense | 2,200 | 991 | 5,430 | 2,899 |
| Other | 2,184 | 917 | 5,677 | 2,588 |
| Professional fees | 820 | 633 | 2,324 | 2,012 |
| Administration fees | 186 | 175 | 549 | 537 |
| Compensation expense | 639 | 673 | 1,806 | 1,703 |
| Insurance expense | 120 | 120 | 366 | 378 |
| Directors' fees and expenses | 66 | 66 | 205 | 207 |
| Share-based long term incentive plan unit expense | 103 | 97 | 296 | 285 |
| Other expenses | 418 | 476 | 1,458 | 1,408 |
| Total expenses | 24,668 | 14,475 | 65,279 | 40,753 |
| NET INVESTMENT INCOME | 11,678 | 7,902 | 32,911 | 28,109 |
| NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION | | | | |
| Net realized gain (loss) on: | | | | |
| Investments | 8,551 | 1,087 | 20,747 | 2,372 |
| Financial derivatives, excluding currency hedges | 479 | (595) | (2,251) | (6,222) |
| Financial derivatives—currency hedges | 297 | (4,013) | 1,881 | (7,357) |
| Foreign currency transactions | 775 | 4,726 | 1,433 | 6,234 |
| | 10,102 | 1,205 | 21,810 | (4,973) |
| Change in net unrealized gain (loss) on: | | | | |
| Investments | (13,372) | (1,750) | (12,767) | 6,837 |
| Other secured borrowings | (358) | — | 840 | — |
| Financial derivatives, excluding currency hedges | 173 | (305) | 9,922 | (4,081) |
| Financial derivatives—currency hedges | 528 | 2,026 | 1,404 | 1,162 |
| Foreign currency translation | (1,277) | (2,483) | (3,139) | 712 |
| | (14,306) | (2,512) | (3,740) | 4,630 |
| NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, OTHER SECURED BORROWINGS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY | (4,204) | (1,307) | 18,070 | (343) |

TRANSACTIONS/TRANSLATION

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

| | Three-Month Period Ended September 30, | | Nine-Month Period Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | Expressed in U.S. Dollars | | | |
| NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS | 7,474 | 6,595 | 50,981 | 27,766 |
| LESS: NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 813 | 400 | 2,089 | 1,229 |
| NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS | $6,661 | $6,195 | $48,892 | $26,537 |
| NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS PER SHARE: | | | | |
| Basic and Diluted | $0.22 | $0.19 | $1.58 | $0.81 |

(1) Includes interest income and interest expense of a consolidated securitization trust of $1.3 million and $0.7 million, respectively, for the three-month period ended September 30, 2018. Includes interest income and interest expense of a consolidated securitization trust of $3.9 million and $2.4 million, respectively, for the nine-month period ended September 30, 2018. See Note 6 for further details on the Company's consolidated securitization trust.
(2) See Note 9 for further details on management fee rebates.
(3) Conformed to current period presentation.

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

| (In thousands) | Nine-Month Period Ended September 30, 2018 | | | Nine-Month Period Ended September 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Shareholders' Equity | Non-controlling Interest | Total Equity | Shareholders' Equity | Non-controlling Interest | Total Equity |
| | Expressed in U.S. Dollars | | | | | |
| BEGINNING EQUITY (12/31/2017 and 12/31/2016, respectively) | $600,099 | $ 20,862 | $620,961 | $637,661 | $ 7,116 | $644,777 |
| CHANGE IN EQUITY RESULTING FROM OPERATIONS | | | | | | |
| Net investment income | | | 32,911 | | | 28,109 |
| Net realized gain (loss) on investments, financial derivatives, and foreign currency transactions | | | 21,810 | | | (4,973) |
| Change in net unrealized gain (loss) on investments, other secured borrowings, financial derivatives, and foreign currency translation | | | (3,740) | | | 4,630 |
| Net increase (decrease) in equity resulting from operations | 48,892 | 2,089 | 50,981 | 26,537 | 1,229 | 27,766 |
| CHANGE IN EQUITY RESULTING FROM TRANSACTIONS | | | | | | |
| Shares issued in connection with incentive fee payment | 29 | | 29 | — | | — |
| Contributions from non-controlling interests | | 11,900 | 11,900 | | 14,201 | 14,201 |
| Dividends[(1)] | (37,891) | (261) | (38,152) | (44,050) | (286) | (44,336) |
| Distributions to non-controlling interests | | (11,744) | (11,744) | | (8,178) | (8,178) |
| Adjustment to non-controlling interest | (33) | 33 | — | (6) | 6 | — |
| Shares repurchased | (17,593) | | (17,593) | (4,791) | | (4,791) |
| Share-based long term incentive plan unit awards | 294 | 2 | 296 | 284 | 1 | 285 |
| Net increase (decrease) in equity from transactions | (55,194) | (70) | (55,264) | (48,563) | 5,744 | (42,819) |
| Net increase (decrease) in equity | (6,302) | 2,019 | (4,283) | (22,026) | 6,973 | (15,053) |
| ENDING EQUITY (9/30/2018 and 9/30/2017, respectively) | $593,797 | $ 22,881 | $616,678 | $615,635 | $ 14,089 | $629,724 |

(1) For the three-month periods ended September 30, 2018 and 2017, dividends totaling $0.41 and $0.45, respectively, per common share and convertible unit outstanding, were declared. For the nine-month periods ended September 30, 2018 and 2017, dividends totaling $1.23 and $1.35, respectively, per common share and convertible unit outstanding, were declared.

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

| (In thousands) | Nine-Month Period Ended September 30, 2018 | 2017 |
|---|---|---|
| | Expressed in U.S. Dollars | |
| INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: | | |
| NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS | $50,981 | $27,766 |
| Cash flows provided by (used in) operating activities: | | |
| Reconciliation of the net increase (decrease) in equity resulting from operations to net cash provided by (used in) operating activities: | | |
| Net realized (gain) loss on investments, financial derivatives, and foreign currency transactions | (19,335) | 13,018 |
| Change in net unrealized (gain) loss on investments, other secured borrowings, financial derivatives, and foreign currency translation | 7,263 | (7,472) |
| Amortization of premiums and accretion of discounts (net) | 35,130 | 23,010 |
| Purchase of investments | (2,626,320) | (1,847,795) |
| Proceeds from disposition of investments | 1,558,821 | 1,378,115 |
| Proceeds from principal payments of investments | 383,847 | 214,636 |
| Proceeds from investments sold short | 1,926,781 | 1,456,930 |
| Repurchase of investments sold short | (1,858,064) | (1,382,642) |
| Payments on financial derivatives | (78,447) | (76,667) |
| Proceeds from financial derivatives | 77,314 | 79,207 |
| Amortization of deferred debt issuance costs | 198 | 30 |
| Shares issued in connection with incentive fee payment | 29 | — |
| Share-based long term incentive plan unit expense | 296 | 285 |
| Interest income related to consolidated securitization trust(1) | (2,493) | — |
| Interest expense related to consolidated securitization trust(1) | 2,493 | — |
| Repurchase agreements | (4,473) | (8,251) |
| (Increase) decrease in assets(2): | | |
| Receivable for securities sold and financial derivatives | (194,952) | (53,941) |
| Due from brokers | 56,489 | (14,522) |
| Interest and principal receivable | (8,947) | (3,302) |
| Other assets | 38,563 | 190 |
| Increase (decrease) in liabilities: | | |
| Due to brokers | 2,830 | (9,167) |
| Payable for securities purchased and financial derivatives | 228,105 | 84,549 |
| Accounts payable and accrued expenses | 1,452 | 515 |
| Incentive fee payable to affiliate | 424 | — |
| Other liabilities | 700 | 181 |
| Interest and dividends payable | 547 | 1,408 |
| Base management fee payable to affiliate | (283) | (255) |
| Net cash provided by (used in) operating activities(2) | (421,051) | (124,174) |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
(UNAUDITED)

| (In thousands) | Nine-Month Period Ended September 30, 2018 | 2017 |
|---|---|---|
| | Expressed in U.S. Dollars | |
| Cash flows provided by (used in) financing activities: | | |
| Contributions from non-controlling interests | $11,900 | $14,201 |
| Shares repurchased | (17,593) | (4,791) |
| Dividends paid | (38,152) | (44,336) |
| Distributions to non-controlling interests | (11,744) | (8,178) |
| Proceeds from issuance of Other secured borrowings | 83,380 | 94,878 |
| Principal payments on Other secured borrowings | (27,099) | (21,020) |
| Proceeds from issuance of senior notes | — | 86,000 |
| Debt issuance costs paid | — | (890) |
| Borrowings under reverse repurchase agreements | 6,771,029 | 8,663,470 |
| Repayments of reverse repurchase agreements | (6,344,305) | (8,667,241) |
| Net cash provided by (used in) financing activities | 427,416 | 112,093 |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH[2] | 6,365 | (12,081) |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD[2] | 47,658 | 123,929 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD[2] | $54,023 | $111,848 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $40,097 | $19,683 |
| Shares issued in connection with incentive fee payment | 29 | — |
| Share-based long term incentive plan unit awards (non-cash) | 296 | 285 |
| Aggregate TBA trade activity (buys + sells) (non-cash) | 21,475,863 | 17,198,330 |
| Purchase of investments (non-cash) | (15,533) | (25,318) |
| Proceeds from principal payments of investments (non-cash) | 34,697 | 6,815 |
| Proceeds from the disposition of investments (non-cash) | 15,533 | 26,800 |
| Proceeds from issuance of Other secured borrowings (non-cash) | — | 17,175 |
| Principal payments on Other secured borrowings (non-cash) | — | (25,473) |
| Principal payments on Other secured borrowings, at fair value (non-cash) | (34,697) | — |

(1) Related to non-qualified mortgage securitization transaction. See Note 6 for further details.
(2) Conformed to current period presentation.

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018
(UNAUDITED)

1. Organization and Investment Objective

Ellington Financial LLC was formed as a Delaware limited liability company on July 9, 2007 and commenced operations on August 17, 2007. Ellington Financial Operating Partnership LLC (the "Operating Partnership"), a 99.3% owned consolidated subsidiary of Ellington Financial LLC, was formed as a Delaware limited liability company on December 14, 2012 and commenced operations on January 1, 2013. All of the Company's operations and business activities are conducted through the Operating Partnership. Ellington Financial LLC, the Operating Partnership, and their consolidated subsidiaries are hereafter collectively referred to as the "Company." All intercompany accounts are eliminated in consolidation.

The Company is a specialty finance company that invests in a diverse array of financial assets, including residential mortgage-backed securities, or "RMBS," commercial mortgage-backed securities, or "CMBS," residential and commercial mortgage loans, consumer loans and asset-backed securities, or "ABS," backed by consumer loans, collateralized loan obligations, or "CLOs," corporate equity and debt securities (including distressed debt), non-mortgage and mortgage-related derivatives, equity investments in mortgage-related entities, and other strategic investments.

Ellington Financial Management LLC ("EFM" or the "Manager") is an SEC-registered investment adviser and a registered commodity pool operator that serves as the Manager to the Company pursuant to the terms of its seventh amended and restated management agreement (the "Management Agreement"). EFM is an affiliate of Ellington Management Group, L.L.C., ("Ellington") an investment management firm that is registered as both an investment adviser and a commodity pool operator. In accordance with the terms of the Management Agreement, the Manager implements the investment strategy and manages the business and operations on a day-to-day basis for the Company and performs certain services for the Company, subject to oversight by the Company's Board of Directors ("Board of Directors").

2. Significant Accounting Policies

(A) Basis of Presentation: The Company's unaudited interim consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," for investment companies, ASC 946, Financial Services—Investment Companies ("ASC 946"). The Company has determined that it meets the definition of an investment company under ASC 946. ASC 946 requires, among other things, that investments be reported at fair value in the financial statements. Additionally under ASC 946 the Company generally will not consolidate its interest in any company other than in its subsidiaries that qualify as investment companies under ASC 946. The consolidated financial statements include the accounts of the Company, the Operating Partnership, and its subsidiaries. They also include certain securitization trusts which are designed to facilitate specific financing activities of the Company and represent a direct extension of the Company's business activities. All intercompany balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In management's opinion, all material adjustments considered necessary for a fair statement of the Company's interim consolidated financial statements have been included and are only of a normal recurring nature. Interim results are not necessarily indicative of the results that may be expected for the entire fiscal year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

(B) Valuation: The Company applies ASC 820-10, Fair Value Measurement ("ASC 820-10"), to its holdings of financial instruments. ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Currently, the types of financial instruments the Company generally includes in this category are listed equities, exchange-traded derivatives, and cash equivalents;
- Level 2—inputs to the valuation methodology other than quoted prices included in Level 1 are observable for the asset or liability, either directly or indirectly. Currently, the types of financial instruments that the Company generally includes in this category are Agency RMBS, U.S. Treasury securities and sovereign debt, certain non-Agency RMBS and CMBS, CLOs, and corporate debt, and actively traded derivatives, such as interest rate swaps and foreign currency forwards, and certain other over-the-counter derivatives; and

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- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. The types of financial instruments that the Company generally includes in this category are certain RMBS, CMBS, and CLOs, ABS, credit default swaps, or "CDS," on individual ABS, distressed corporate debt, and total return swaps on distressed corporate debt, in each case where there is less price transparency. Also included in this category are residential and commercial mortgage loans, consumer loans, non-listed equities, private corporate debt and equity investments, secured notes, and Other secured borrowings, at fair value.

For certain financial instruments, the various inputs that management uses to measure fair value for such financial instrument may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for such financial instrument is based on the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the various inputs that management uses to measure fair value with the highest priority to inputs that are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets (Level 1) and the lowest priority to inputs that are unobservable and significant to the fair value measurement (Level 3). The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The Company may use valuation techniques consistent with the market and income approaches to measure the fair value of its assets and liabilities. The market approach uses third-party valuations and information obtained from market transactions involving identical or similar assets or liabilities. The income approach uses projections of the future economic benefit of an instrument to determine its fair value, such as in the discounted cash flow methodology. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in these financial instruments. The leveling of each financial instrument is reassessed at the end of each period.

Summary Valuation Techniques

For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of the Company's financial instruments are not traded in an active market. Therefore, management generally uses third-party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology. The following are summary descriptions, for various categories of financial instruments, of the valuation methodologies management uses in determining fair value of the Company's financial instruments in such categories. Management utilizes such methodologies to assign a good faith fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument.

For mortgage-backed securities, or "MBS," including To Be Announced MBS, or "TBAs," CLOs, and distressed and non-distressed corporate debt and equity, management seeks to obtain at least one third-party valuation, and often obtains multiple valuations when available. Management has been able to obtain third-party valuations on the vast majority of these instruments and expects to continue to solicit third-party valuations in the future. Management generally values each financial instrument at the average of third-party valuations received and not rejected as described below. Third-party valuations are not binding, and while management generally does not adjust the valuations it receives, management may challenge or reject a valuation when, based on its validation criteria, management determines that such valuation is unreasonable or erroneous. Furthermore, based on its validation criteria, management may determine that the average of the third-party valuations received for a given instrument does not result in what management believes to be the fair value of such instrument, and in such circumstances management may override this average with its own good faith valuation. The validation criteria may take into account output from management's own models, recent trading activity in the same or similar instruments, and valuations received from third parties. The use of proprietary models requires the use of a significant amount of judgment and the application of various assumptions including, but not limited to, assumptions concerning future prepayment rates and default rates. Valuations for fixed-rate RMBS pass-throughs issued by a U.S. government agency or government-sponsored enterprise are typically based on observable pay-up data (pay-ups are price premiums for specified categories of fixed-rate pools relative to their TBA counterparts) or models that use observable market data, such as interest rates and historical prepayment speeds, and are validated against third-party valuations. Given their relatively high level of price transparency, Agency RMBS pass-throughs are typically designated as Level

2 assets. Non-Agency MBS, Agency interest only and inverse interest only RMBS, and CLOs are generally classified as either Level 2 or Level 3 based on analysis of available market data and/or third-party valuations. The Company's investments in distressed corporate debt can be in the form of loans as well as total return swaps on loans. These investments, as well as related non-listed equity investments, are generally designated as Level 3 assets. Valuations for total return swaps are typically based on prices of the underlying loans received from widely used third-party pricing services. Investments in non-distressed corporate bonds are generally also valued based on prices received from third-party pricing services, and many of these bonds, because they are very liquid with readily observable data, are generally classified as Level 2 holdings. Furthermore, the methodology used by the third-party valuation providers is reviewed at least annually by management, so as to ascertain whether such providers are utilizing observable market data to determine the valuations that they provide.

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For residential and commercial mortgage loans, consumer loans, and real estate owned properties, or "REO," management determines fair value by taking into account both external pricing data, when available, and internal pricing models. Non-performing mortgage loans and REO are typically valued based on management's estimates of the value of the underlying real estate, using information including general economic data, broker price opinions, or "BPOs," recent sales, property appraisals, and bids. Performing mortgage loans and consumer loans are typically valued using discounted cash flows based on market assumptions. Cash flow assumptions typically include projected default and prepayment rates and loss severities, and may include adjustments based on appraisals and BPOs. Mortgage and consumer loans and REO properties are classified as Level 3 assets.

Securitized mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the Consumer Financial Protection Bureau, or "non-QM loans," are held as part of a collateralized financing entity, or "CFE." A CFE is a variable interest entity, or "VIE," that holds financial assets, issues beneficial interests in those assets, and has no more than nominal equity, and for which the issued beneficial interests have contractual recourse only to the related assets of the CFE. ASC 810, Consolidation ("ASC 810"), allows the Company to elect to measure both the financial assets and financial liabilities of the CFE using the more observable of the fair value of the financial assets and the fair value of the financial liabilities of the CFE. The Company has elected the fair value option for initial and subsequent recognition of the debt issued by its consolidated securitization trust and has determined such trust meets the definition of a CFE; see Note 6 for further discussion on the Company's securitization trusts. The Company has determined the inputs to the fair value measurement of the financial liabilities of its CFE to be more observable than those of the financial assets and, as a result, has used the fair value of the financial liabilities of the CFE to measure the fair value of the financial assets of the CFE. The fair value of the debt issued by the CFE is typically valued using discounted cash flows and other market data. The securitized non-QM loans, which are assets of the CFE, are included in Investments, at fair value on the Company's Consolidated Statement of Assets, Liabilities, and Equity. The debt issued by the CFE is included in Other secured borrowings, at fair value, on the Company's Consolidated Statement of Assets, Liabilities, and Equity. The securitized non-QM loans and the debt issued by the Company's CFE are both designated as Level 3 financial instruments.

For financial derivatives with greater price transparency, such as CDS on asset-backed indices, CDS on corporate indices, certain options on the foregoing, and total return swaps on publicly traded equities, market-standard pricing sources are used to obtain valuations; these financial derivatives are generally designated as Level 2 instruments. Interest rate swaps, swaptions, and foreign currency forwards are typically valued based on internal models that use observable market data, including applicable interest rates and foreign currency rates in effect as of the measurement date; the model-generated valuations are then typically compared to counterparty valuations for reasonableness. These financial derivatives are also generally designated as Level 2 instruments. Financial derivatives with less price transparency, such as CDS on individual ABS, are generally valued based on internal models, and are typically designated as Level 3 instruments. In the case of CDS on individual ABS, the valuation process typically starts with an estimation of the value of the underlying ABS. In valuing its derivatives, the Company also considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement.

Investments in private operating entities, such as mortgage originators, are valued based on available metrics, such as relevant market multiples and comparable company valuations, company specific-financial data including actual and projected results and independent third party valuation estimates. These investments are designated as Level 3 assets.

The Company's repurchase agreements are carried at fair value based on their contractual amounts as the debt is short-term in nature. The Company's reverse repurchase agreements are carried at cost, which approximates fair value. Repurchase and reverse repurchase agreements are classified as Level 2 assets and liabilities based on the adequacy of the collateral and their short term nature.

The Company's valuation process, including the application of validation criteria, is overseen by the Manager's Valuation Committee ("Valuation Committee"). The Valuation Committee includes senior level executives from various departments within the Manager, and each quarter, the Valuation Committee reviews and approves the valuations of the Company's investments. The valuation process also includes a monthly review by the Company's third-party administrator. The goal of this review is to replicate various aspects of the Company's valuation process based on the Company's documented procedures.

Because of the inherent uncertainty of valuation, the estimated fair value of the Company's financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to the Company's consolidated financial statements.

(C) Purchase and Sales of Investments and Investment Income: Purchases and sales of investments are generally recorded on trade date, and realized and unrealized gains and losses are calculated based on identified cost. The Company amortizes premiums and accretes discounts on its debt investments. Coupon interest income on fixed-income investments is generally accrued based on the outstanding principal balance or notional value and the current coupon interest rate. For Agency RMBS and debt securities that are deemed to be of high credit quality at the time of purchase, premiums and discounts are amortized into interest income over the life of such securities using the effective interest method. For securities whose cash flows vary depending on prepayments, an effective yield retroactive to the time of purchase is periodically recomputed based on actual prepayments and changes in projected prepayment activity, and a catch-up adjustment is made to amortization to reflect the cumulative impact of the change in effective yield.

For debt securities (including non-Agency MBS) that are deemed not to be of high credit quality at the time of purchase, interest income is recognized based on the effective interest method. For purposes of determining the effective interest rate, management estimates the future expected cash flows of its investment holdings based on assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macro-economic assumptions, such as future housing prices). These assumptions are re-evaluated not less than quarterly. Principal write-offs are generally treated as realized losses. Changes in projected cash flows, as applied to the current amortized cost of the security, may result in a prospective change in the yield/interest income recognized on such securities.

For each loan purchased with the expectation that both interest and principal will be paid in full, the Company generally amortizes or accretes any premium or discount over the life of the loan utilizing the effective interest method. However, on at least a quarterly basis based on current information and events, the Company re-assesses the collectability of interest and principal, and designates a loan as impaired either when any payments have become 90 or more days past due, or when, in the opinion of management, it is probable that the Company will be unable to collect either interest or principal in full. Once a loan is designated as impaired, as long as principal is still expected to be collectable in full, interest payments are recorded as interest income only when received (i.e., under the cash basis method); accruals of interest income are only resumed when the loan becomes contractually current and performance is demonstrated to be resumed. However, if principal is not expected to be collectable in full, the cost recovery method is used (i.e., no interest income is recognized, and all payments received—whether contractually interest or principal—are applied to cost).

For each loan purchased with evidence of credit deterioration since origination and the expectation that either principal or interest will not be paid in full, interest income is generally recognized using the effective interest method for as long as the cash flows can be reasonably estimated. Here, instead of amortizing the purchase discount (i.e., the excess of the unpaid principal balance over the purchase price) over the life of the loan, the Company effectively amortizes the accretable yield (i.e., the excess of the Company's estimate of the total cash flows to be collected over the life of the loan over the purchase price). Not less than quarterly, the Company updates its estimate of the cash flows expected to be collected over the life of the loan, and revised yields are prospectively applied. To the extent that cash flows cannot be reasonably estimated, these loans are generally accounted for under the cost recovery method.

For certain groups of consumer loans that the Company considers as having sufficiently homogeneous characteristics, the Company aggregates such loans into pools, and accounts for each such pool as a single asset. The pool is then treated analogously to a debt security deemed not to be of high credit quality, in that (i) the aggregate premium or discount for the pool is amortized or accreted into interest income based on the pool's effective interest rate; (ii) the effective interest rate is determined based on the net expected cash flows of the pool, taking into account estimates of prepayments, defaults, and loss severities; and (iii) estimates are updated not less than quarterly and revised yields are prospectively applied.

In estimating future cash flows on the Company's debt investments, there are a number of assumptions that will be subject to significant uncertainties and contingencies, including, in the case of MBS, assumptions relating to prepayment rates, default rates, loan loss severities, and loan repurchases. These estimates require the use of a significant amount of judgment.

The Company receives dividend income on certain of its equity investments and rental income on certain of its REO properties. These items of income are included on the Consolidated Statement of Operations in, "Other income."

(D) Cash and Cash Equivalents: Cash and cash equivalents include cash and short term investments with original maturities of three months or less at the date of acquisition. Cash and cash equivalents typically include amounts held in an interest bearing overnight account and amounts held in money market funds, and these balances generally exceed insured limits. The Company holds its cash at institutions that it believes to be highly creditworthy. Restricted cash represents cash that the Company can use only for specific purposes. The Company's investments in money market funds are included in the Consolidated Condensed Schedule of Investments. See Note 15 for further discussion of restricted cash balances.

(E) Financial Derivatives: The Company enters into various types of financial derivatives. The Company's financial derivatives are predominantly subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Company may be required to deliver or receive cash or securities as

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collateral upon entering into derivative transactions. In addition, changes in the relative value of derivative transactions may require the Company or the counterparty to post or receive additional collateral. In the case of cleared derivatives, the clearinghouse becomes the Company's counterparty and a futures commission merchant acts as an intermediary between the Company and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral. Cash collateral received by the Company is reflected on the Consolidated Statement of Assets, Liabilities, and Equity as "Due to Brokers." Conversely, cash collateral posted by the Company is reflected as "Due from Brokers" on the Consolidated Statement of Assets, Liabilities, and Equity. The major types of derivatives utilized by the Company are swaps, futures, options, and forwards.

Swaps: The Company may enter into various types of swaps, including interest rate swaps, credit default swaps, and total return swaps. The primary risk associated with the Company's interest rate swap activity is interest rate risk. The primary risk associated with the Company's credit default swaps is credit risk and the primary risks associated with the Company's total return swap activity are equity market risk and credit risk.

The Company is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Primarily to help mitigate interest rate risk, the Company enters into interest rate swaps. Interest rate swaps are contractual agreements whereby one party pays a floating interest rate on a notional principal amount and receives a fixed-rate payment on the same notional principal, or vice versa, for a fixed period of time. Interest rate swaps change in value with movements in interest rates.

The Company enters into credit default swaps. A credit default swap is a contract under which one party agrees to compensate another party for the financial loss associated with the occurrence of a "credit event" in relation to a "reference amount" or notional value of a credit obligation (usually a bond, loan, or a basket of bonds or loans). The definition of a credit event may vary from contract to contract. A credit event may occur (i) when the underlying reference asset(s) fails to make scheduled principal or interest payments to its holders, (ii) with respect to credit default swaps referencing mortgage/asset-backed securities and indices, when the underlying reference obligation is downgraded below a certain rating level, or (iii) with respect to credit default swaps referencing corporate entities and indices, upon the bankruptcy of the underlying reference obligor. The Company typically writes (sells) protection to take a "long" position or purchases (buys) protection to take a "short" position with respect to underlying reference assets or to hedge exposure to other investment holdings.

The Company enters into total return swaps in order to take a "long" or "short" position with respect to an underlying reference asset. The Company is subject to market price volatility of the underlying reference asset. A total return swap involves commitments to pay interest in exchange for a market-linked return based on a notional value. To the extent that the total return of the corporate debt, security, group of securities or index underlying the transaction exceeds or falls short of the offsetting interest obligation, the Company will receive a payment from or make a payment to the counterparty.

Swaps change in value with movements in interest rates, credit quality, or total return of the reference securities. During the term of swap contracts, changes in value are recognized as unrealized gains or losses. When a contract is terminated, the Company realizes a gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Company's basis in the contract, if any. Periodic payments or receipts required by swap agreements are recorded as unrealized gains or losses when accrued and realized gains or losses when received or paid. Upfront payments paid and/or received by the Company to open swap contracts are recorded as an asset and/or liability on the Consolidated Statement of Assets, Liabilities, and Equity and are recorded as a realized gain or loss on the termination date.

Futures Contracts: A futures contract is an exchange-traded agreement to buy or sell an asset for a set price on a future date. The Company enters into Eurodollar and/or U.S. Treasury security futures contracts to hedge its interest rate risk. The Company may also enter into various other futures contracts, including equity index futures and foreign currency futures. Initial margin deposits are made upon entering into futures contracts and can generally be either in the form of cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market to reflect the current market value of the contract. Variation margin payments are made or received periodically, depending upon whether unrealized losses or gains are incurred. When the contract is closed, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

Options: The Company may purchase or write put or call options contracts or enter into swaptions. The Company enters into options contracts typically to help mitigate overall market, credit, or interest rate risk depending on the type of options contract. However, the Company also enters into options contracts from time to time for speculative purposes. When the Company purchases an options contract, the option asset is initially recorded at an amount equal to the premium paid, if any, and is subsequently marked-to-market. Premiums paid for purchasing options contracts that expire unexercised are recognized on the expiration date as realized losses. If an options contract is exercised, the premium paid is subtracted from the proceeds of the sale or added to the cost of the purchase to determine whether the Company has realized a gain or loss on the related transaction. When the Company writes an options contract, the option liability is initially recorded at an amount equal to the premium received, if any, and is subsequently marked-to-market. Premiums received for writing options contracts that expire unexercised are recognized on the expiration date as realized gains. If an options contract is exercised, the premium received is subtracted from the cost of the purchase or added to the proceeds of the sale to determine whether the Company has realized a gain or loss on the related investment transaction. When the Company enters into a closing transaction, the Company will realize a gain or loss depending upon whether the amount from the closing transaction is greater or less than the premiums paid or received. The Company may also enter into options contracts that contain forward-settling premiums. In this case, no money is exchanged upfront. Instead the agreed-upon premium is paid by the buyer upon expiration of the option, regardless of whether or not the option is exercised.

Forward Currency Contracts: A forward currency contract is an agreement between two parties to purchase or sell a specific quantity of currency with the delivery and settlement at a specific future date and exchange rate. During the period the forward currency contract is open, changes in the value of the contract are recognized as unrealized gains or losses. When the contract is settled, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

Commitments to Purchase Residential Mortgage Loans: The Company has entered into forward purchase commitments under flow agreements, whereby the Company commits to purchasing the loans based on pre-defined underwriting guidelines and at stated interest rates. Actual loan purchases are contingent upon successful loan closings. These commitments to purchase mortgage loans are classified as derivatives on the Company's Consolidated Statement of Assets, Liabilities, and Equity and are, therefore, recorded as assets or liabilities measured at fair value. Until the purchase commitment expires or the underlying loan closes, changes in the estimated fair value of such commitments are recognized as unrealized gains or losses in the Consolidated Statement of Operations.

Financial derivatives disclosed on the Consolidated Condensed Schedule of Investments include: credit default swaps on asset-backed securities, credit default swaps on asset-backed indices, credit default swaps on corporate bond indices, credit default swaps on corporate bonds, interest rate swaps, total return swaps, futures contracts, foreign currency forwards, options contracts.

Financial derivative assets are included in Financial derivatives—assets, at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. Financial derivative liabilities are included in Financial derivatives—liabilities, at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. In addition, financial derivative contracts are summarized by type on the Consolidated Condensed Schedule of Investments.

(F) Investments Sold Short: When the Company sells securities short, it typically satisfies its security delivery settlement obligation by obtaining the security sold short from the same or a different counterparty. The Company generally is required to deliver cash or securities as collateral to the counterparty for the Company's obligation to return the borrowed security. The amount by which the market value of the obligation falls short of or exceeds the proceeds from the short sale is treated as an unrealized gain or loss, respectively. A realized gain or loss will be recognized upon the termination of a short sale if the market price is less or greater than the proceeds originally received.

(G) Reverse Repurchase Agreements: The Company enters into reverse repurchase agreements with third-party broker-dealers whereby it sells securities under agreements to be repurchased at an agreed-upon price and date. The Company accounts for reverse repurchase agreements as collateralized borrowings, with the initial sale price representing the amount borrowed, and with the future repurchase price consisting of the amount borrowed plus interest, at the implied interest rate of the reverse repurchase agreement, on the amount borrowed over the term of the reverse repurchase agreement. The interest rate on a reverse repurchase agreement is based on competitive rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. When the Company enters into a reverse repurchase agreement, the lender establishes and maintains an account containing cash and/or securities having a value not less than the repurchase price, including accrued interest, of the reverse repurchase agreement. Reverse repurchase agreements are carried at their contractual amounts, which approximate fair value as the debt is short-term in nature.

(H) Repurchase Agreements: The Company enters into repurchase agreement transactions whereby it purchases securities under agreements to resell at an agreed-upon price and date. In general, securities received pursuant to repurchase agreements are delivered to counterparties of short sale transactions. The interest rate on a repurchase agreement is based on competitive rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. Assets held pursuant to repurchase agreements are reflected as assets on the Consolidated Statement of Assets, Liabilities, and Equity. Repurchase agreements are carried at fair value based on their contractual amounts as the debt is short-term in nature.

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Repurchase and reverse repurchase agreements that are conducted with the same counterparty may be reported on a net basis if they meet the requirements of ASC 210-20, Balance Sheet Offsetting. There are no repurchase and reverse repurchase agreements reported on a net basis in the Company's consolidated financial statements.
(I) Transfers of Financial Assets: The Company enters into transactions whereby it transfers financial assets to third parties. Upon such a transfer of financial assets, the Company will sometimes retain or acquire interests in the related assets. The Company evaluates transferred assets pursuant to ASC 860-10, Transfers of Financial Assets, or "ASC 860-10," which requires that a determination be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. When a transfer of financial assets does not qualify as a sale, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral. ASC 860-10 is a standard that requires the Company to exercise significant judgment in determining whether a transaction should be recorded as a "sale" or a "financing."
(J) When-Issued/Delayed Delivery Securities: The Company may purchase or sell securities on a when-issued or delayed delivery basis. Securities purchased or sold on a when-issued basis are traded for delivery beyond the normal settlement date at a stated price or yield, and no income accrues to the purchaser prior to settlement. Purchasing or selling securities on a when-issued or delayed delivery basis involves the risk that the market price or yield at the time of settlement may be lower or higher than the agreed-upon price or yield, in which case a realized loss may be incurred.
The Company transacts in the forward settling TBA market. The Company typically does not take delivery of TBAs, but rather settles the associated receivable and payable with its trading counterparties on a net basis. Transactions with the same counterparty for the same TBA that result in a reduction of the position are treated as extinguished. The market value of the securities that the Company is required to purchase pursuant to a TBA transaction may decline below the agreed-upon purchase price. Conversely, the market value of the securities that the Company is required to sell pursuant to a TBA transaction may increase above the agreed upon sale price. As part of its TBA activities, the Company may "roll" its TBA positions, whereby the Company may sell (buy) securities for delivery (receipt) in an earlier month and simultaneously contract to repurchase (sell) similar, but not identical, securities at an agreed-upon price on a fixed date in a later month (with the later-month price typically lower than the earlier-month price). The Company accounts for its TBA transactions (including those related to TBA rolls) as purchases and sales.
(K) REO: When the Company obtains possession of real property in connection with a foreclosure or similar action, the Company de-recognizes the associated mortgage loan according to ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure ("ASU 2014-04"). Under the provisions of ASU 2014-04, the Company is deemed to have received physical possession of real estate property collateralizing a mortgage loan when it obtains legal title to the property upon completion of a foreclosure or when the borrower conveys all interest in the property to it through a deed in lieu of foreclosure or similar legal agreement. The Company holds all REO at fair value.
(L) Investments in Operating Entities: The Company has made and may in the future make non-controlling investments in operating entities such as mortgage originators. Investments in such operating entities may be in the form of preferred and/or common equity, debt, or some other form of investment. The Company carries its investments in such entities at fair value. In cases where the operating entity provides services to the Company, the Company is required to use the equity method of accounting.
(M) Variable Interest Entities: VIEs are entities in which: (i) the equity investors do not have the characteristics of a controlling financial interest, or (ii) there is insufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties. The Company holds beneficial interests in securitization trusts that are considered VIEs. The beneficial interests in these securitization trusts are represented by certificates issued by the trusts. The securitization trusts have been structured as pass-through entities that receive principal and interest payments on the underlying collateral and distribute those payments to the certificate holders, which include both third-party investors and the Company. The certificates held by the Company typically include some or all of the most subordinated tranches. The assets held by the trusts are restricted in that they can only be used to fulfill the

obligations of the related trust. In certain cases the design and structure of the securitization trust is such that the Company effectively retains control of the assets as well as the activities that most significantly impact the economic performance of the trust; in such cases the trust is considered a direct extension of the Company's business, and the Company consolidates the trust. In cases where the Company does not effectively retain control of the assets of, or the activities that most significantly impact the economic performance of, the related trust, it does not consolidate the trust. See Note 6 for further discussion of the Company's securitization trusts.
(N) Offering Costs/Underwriters' Discount: Offering costs and underwriters' discount are charged against shareholders' equity. Offering costs typically include legal, accounting, printing, and other fees associated with the cost of raising capital.

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(O) Debt Issuance Costs: Debt issuance costs associated with debt for which the Company has elected the fair value option are expensed at the issuance of the debt, and are included in Other investment related expenses on the Consolidated Statement of Operations. Costs associated with the issuance of debt for which the Company has not elected the fair value option are amortized over the life of the debt, which approximates the effective interest rate method, and are included in Interest expense on the Consolidated Statement of Operations. Deferred debt issuance costs are presented on the Consolidated Statement of Assets, Liabilities, and Equity as a direct deduction from the related debt liability, unless such deferred debt issuance costs are associated with borrowing facilities that are expected to have a future benefit, such as giving the Company the ability to access additional borrowings over the contractual term of the debt, in which case such deferred debt issuance costs are included in Other Assets on Consolidated Statement of Assets, Liabilities, and Equity. Debt issuance costs include legal and accounting fees, purchasers' or underwriters' discount, as well as other fees associated with the cost of the issuance of the related debt.
(P) Expenses: Expenses are recognized as incurred on the Consolidated Statement of Operations.
(Q) Other Investment Related Expenses: Other investment related expenses consist of expenses directly related to specific financial instruments. Such expenses generally include dividend expense on common stock sold short, servicing fees and corporate and escrow advances on mortgage and consumer loans, and various other expenses and fees related directly to the Company's financial instruments. Other investment related expenses are recognized as incurred on the Consolidated Statement of Operations; dividend expense on common stock sold short is recognized on the ex-dividend date.
(R) LTIP Units: Long term incentive plan units ("LTIP Units") have been issued to the Company's dedicated or partially dedicated personnel and certain of its directors as well as the Manager. Costs associated with LTIP Units issued to dedicated or partially dedicated personnel, or to its directors, are measured as of the grant date based on the closing stock price on the New York Stock Exchange and are amortized over the vesting period in accordance with ASC 718-10, Compensation—Stock Compensation. The vesting periods for LTIP Units are typically one year from issuance for directors, and are typically one year to two years from issuance for dedicated or partially dedicated personnel.
(S) Non-controlling interests: Non-controlling interests include the interest in the Operating Partnership owned by an affiliate of the Manager and certain related parties and consist of units convertible into the Company's common shares. Non-controlling interests also include the interests of joint venture partners in certain of our consolidated subsidiaries. The joint venture partners' interests do not consist of units convertible into the Company's common shares. The Company adjusts the non-controlling interests owned by an affiliate of the Manager and certain related parties to align their carrying value with the share of total outstanding operating partnership units ("OP Units") issued by the Operating Partnership to the non-controlling interest. Any such adjustments are reflected in "Adjustment to non-controlling interest" on the Consolidated Statement of Changes in Equity. See Note 11 for further discussion of non-controlling interests.
(T) Dividends: Dividends payable by the Company are recorded on the ex-dividend date. Dividends are typically declared and paid on a quarterly basis in arrears.
(U) Shares Repurchased: Common shares that are repurchased by the Company subsequent to issuance are immediately retired upon settlement and decrease the total number of shares outstanding and issued.
(V) Earnings Per Share ("EPS"): Basic EPS is computed using the two class method by dividing net increase (decrease) in shareholders' equity resulting from operations after adjusting for the impact of LTIP Units which are participating securities, by the weighted average number of common shares outstanding calculated including LTIP Units. Because the Company's LTIP Units are participating securities, they are included in the calculation of basic and diluted EPS. OP Units relating to a non-controlling interest are also participating securities and, accordingly, are included in the calculation of both basic and diluted EPS.
(W) Foreign Currency: Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at current exchange rates at the following dates: (i) assets, liabilities, and unrealized gains/losses—at the valuation date; and (ii) income, expenses, and realized gains/losses—at the accrual/transaction date. The Company isolates the portion of realized and change in unrealized gain (loss) resulting from changes in foreign currency exchange rates on investments and financial derivatives from the fluctuations arising from changes in fair value of investments and

financial derivatives held. Changes in realized and change in unrealized gain (loss) due to foreign currency are included in Foreign currency transactions and Foreign currency translation, respectively, on the Consolidated Statement of Operations.

(X) Income Taxes: The Company is treated as a partnership for U.S. federal income tax purposes. Certain of the Company's subsidiaries are not consolidated for U.S. federal income tax purposes, but are also treated as partnerships. In general, partnerships are not subject to entity-level tax on their income, but the income of a partnership is taxable to its owners

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on a flow-through basis. In addition, certain subsidiaries of the Company have elected to be treated as corporations for U.S. federal income tax purposes, and one has elected to be taxed as a real estate investment trust, or "REIT."

The Company follows the authoritative guidance on accounting for and disclosure of uncertainty on tax positions, which requires management to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For uncertain tax positions, the tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company did not have any additions to unrecognized tax benefits resulting from tax positions related either to the current period or to 2017, 2016, or 2015 (its open tax years), and no reductions resulting from tax positions of prior years or due to settlements, and thus had no unrecognized tax benefits or reductions since inception. The Company does not expect any change in unrecognized tax benefits within the next fiscal year. There were no amounts accrued for tax penalties or interest as of or during the periods presented in these consolidated financial statements.

The Company may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any of such positions, the Company might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements. Also, management's conclusions regarding ASC 740-10 may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance from the Financial Accounting Standards Board, or "FASB," and ongoing analyses of tax laws, regulations and interpretations thereof.

(Y) Recent Accounting Pronouncements: In August 2018, the Financial Accounting Standards Board, or "FASB," issued ASU 2018-13, Fair Value Measurement—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). This amends ASC 820, Fair Value Measurement, to remove or modify various current disclosure requirements related to fair value measurement. Additionally ASU 2018-13 requires certain additional disclosures around fair value measurement. ASU 2018-13 is effective for annual periods beginning after December 15, 2019 and interim periods within those years, with early adoption permitted. Entities are permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Company has elected to early adopt the removal and modification of various disclosure requirements in accordance with ASU 2018-13; early adoption has not had a material impact on the Company's consolidated financial statements. The Company has elected not to early adopt the additional disclosure requirements. The adoption of additional disclosures, as required under ASU 2018-13, is not expected to have a material impact on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation—Stock Compensation—Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"). This amends ASC 718, Compensation—Stock Compensation, to simplify several aspects of accounting for nonemployee share-based payment transactions. ASU 2018-07 is effective for annual periods beginning after December 15, 2019 and interim periods beginning after December 15, 2020, with early adoption permitted. The adoption of ASU 2018-07 is not expected to have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows—Restricted Cash ("ASU 2016-18"). This amends ASC 230, Statement of Cash Flows, to require that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 became effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2016-18 did not have a material impact on the Company's consolidated financial statements.

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3. Valuation

The table below reflects the value of the Company's Level 1, Level 2, and Level 3 financial instruments at September 30, 2018:

| Description | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| Assets: | | | | |
| Cash equivalents | $8,502 | $— | $— | $8,502 |
| Investments, at fair value- | | | | |
| Agency residential mortgage-backed securities | $— | $1,239,211 | $8,779 | $1,247,990 |
| U.S. Treasury securities | — | 4,230 | — | 4,230 |
| Private label residential mortgage-backed securities | — | 246,992 | 121,274 | 368,266 |
| Private label commercial mortgage-backed securities | — | 30,190 | 983 | 31,173 |
| Commercial mortgage loans | — | — | 125,808 | 125,808 |
| Residential mortgage loans | — | — | 392,460 | 392,460 |
| Collateralized loan obligations | — | 127,076 | 29,011 | 156,087 |
| Consumer loans and asset-backed securities backed by consumer loans | — | — | 204,504 | 204,504 |
| Corporate debt | — | 46,037 | 7,681 | 53,718 |
| Secured notes | — | — | 11,065 | 11,065 |
| Real estate owned | — | — | 34,944 | 34,944 |
| Corporate equity investments | 669 | — | 39,155 | 39,824 |
| Total investments, at fair value | 669 | 1,693,736 | 975,664 | 2,670,069 |
| Financial derivatives–assets, at fair value- | | | | |
| Credit default swaps on asset-backed securities | — | — | 1,515 | 1,515 |
| Credit default swaps on corporate bond indices | — | 1,596 | — | 1,596 |
| Credit default swaps on corporate bonds | — | 5,406 | — | 5,406 |
| Credit default swaps on asset-backed indices | — | 3,063 | — | 3,063 |
| Total return swaps | — | 2 | — | 2 |
| Interest rate swaps | — | 17,918 | — | 17,918 |
| Options | — | 1 | — | 1 |
| Futures | 1,540 | — | — | 1,540 |
| Forwards | — | 297 | — | 297 |
| Total financial derivatives–assets, at fair value | 1,540 | 28,283 | 1,515 | 31,338 |
| Repurchase agreements, at fair value | — | 160,422 | — | 160,422 |
| Total investments, financial derivatives–assets, and repurchase agreements, at fair value | $2,209 | $1,882,441 | $977,179 | $2,861,829 |
| Liabilities: | | | | |
| Investments sold short, at fair value- | | | | |
| Agency residential mortgage-backed securities | $— | $(562,098) | $— | $(562,098) |
| Government debt | — | (72,442) | — | (72,442) |
| Corporate debt | — | (37,402) | — | (37,402) |
| Common stock | (23,407) | — | — | (23,407) |
| Total investments sold short, at fair value | (23,407) | (671,942) | — | (695,349) |