Ellington Financial LLC
Form 10-Q
August 09, 2013
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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 June 30, 2013
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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

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

Large Accelerated Filer	¨	Accelerated Filer	x
Non-Accelerated Filer	¨	Smaller Reporting Company	¨

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 August 2, 2013
	25,417,155

Common Shares Representing Limited Liability
Company Interests, no par value

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

	June 30, 2013	December 31, 2012
(In thousands except share amounts)	Expressed in U.S. Dollars	
ASSETS		
Cash and cash equivalents	$201,795	$59,084
Investments, financial derivatives, and repurchase agreements:		
Investments at fair value (Cost – $1,675,134 and $1,328,153)	1,710,422	1,375,116
Financial derivatives – assets at fair value (Net cost – $47,291 and $65,860)	46,977	48,504
Repurchase agreements (Cost – $41,188 and $13,650)	41,188	13,650
Total investments, financial derivatives, and repurchase agreements	1,798,587	1,437,270
Due from brokers	48,294	22,744
Receivable for securities sold	672,035	626,919
Interest and principal receivable	6,571	5,719
Other assets	1,125	379
Total Assets	$2,728,407	$2,152,115
LIABILITIES		
Investments and financial derivatives:		
Investments sold short at fair value (Proceeds – $614,208 and $621,048)	$608,922	$622,301
Financial derivatives – liabilities at fair value (Net proceeds – $16,042 and $13,171)	18,543	15,212
Total investments and financial derivatives	627,465	637,513
Reverse repurchase agreements	1,287,992	905,718
Due to brokers	30,345	30,954
Payable for securities purchased	136,084	57,333
Securitized debt (Proceeds – $1,150 and $1,311)	1,168	1,335
Accounts payable and accrued expenses	1,917	1,995
Base management fee payable	2,405	1,934
Incentive fee payable	1,182	7,343
Other payables	311	903
Interest and dividends payable	1,680	732
Total Liabilities	2,090,549	1,645,760
EQUITY	637,858	506,355
TOTAL LIABILITIES AND EQUITY	$2,728,407	$2,152,115
ANALYSIS OF EQUITY:		
Common shares, no par value, 100,000,000 shares authorized;		
(25,412,011 and 20,370,469 shares issued and outstanding)	$624,096	$497,373
Additional paid-in capital – LTIP units	9,066	8,982
Total Shareholders' Equity	633,162	506,355
Non-controlling interest	4,696	—
Total Equity	$637,858	$506,355
PER SHARE INFORMATION:		
Common shares	$24.92	$24.86

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2013
(UNAUDITED)

Current Principal/ Notional Value/Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
North America (r)				
Long Investments (268.15%) (a) (p)				
Mortgage-Backed Securities (260.25%)				
Agency Securities (147.62%) (b)				
Fixed Rate Agency Securities (143.67%)				
Principal and Interest - Fixed Rate Agency Securities (129.00%)				
$75,125	Federal National Mortgage Association Pool	3.50%	2/43	$ 75,620
39,607	Federal National Mortgage Association Pool	3.50%	1/43	39,769
19,593	Federal National Mortgage Association Pool	4.50%	12/41	20,895
16,806	Federal National Mortgage Association Pool	4.50%	9/41	17,922
17,552	Federal National Mortgage Association Pool	3.50%	8/42	17,846
16,329	Federal National Mortgage Association Pool	5.00%	8/41	17,740
17,128	Federal National Mortgage Association Pool	3.00%	6/28	17,574
16,033	Federal National Mortgage Association Pool	4.50%	10/41	17,098
15,831	Federal Home Loan Mortgage Corporation Pool	5.00%	7/41	17,076
13,767	Federal National Mortgage Association Pool	5.00%	3/41	15,027
12,008	Federal National Mortgage Association Pool	4.00%	8/42	12,523
12,607	Federal Home Loan Mortgage Corporation Pool	3.00%	10/42	12,308
11,105	Federal National Mortgage Association Pool	4.50%	9/41	11,775
11,076	Federal National Mortgage Association Pool	4.00%	11/41	11,558
10,519	Federal National Mortgage Association Pool	5.00%	7/41	11,480
9,995	Federal Home Loan Mortgage Corporation Pool	4.00%	7/43	10,447
9,753	Federal National Mortgage Association Pool	4.00%	1/42	10,177
9,853	Federal Home Loan Mortgage Corporation Pool	3.00%	2/43	9,618
8,923	Federal Home Loan Mortgage Corporation Pool	4.50%	10/41	9,454
8,372	Federal National Mortgage Association Pool	4.50%	4/26	8,905
6,614	Federal National Mortgage Association Pool	5.50%	10/39	7,250
6,788	Federal Home Loan Mortgage Corporation Pool	4.50%	2/41	7,203
6,480	Federal Home Loan Mortgage Corporation Pool	3.00%	1/43	6,325
6,446	Federal Home Loan Mortgage Corporation Pool	3.00%	4/43	6,291
5,593	Government National Mortgage Association Pool	4.54%	11/62	6,177
5,542	Government National Mortgage Association Pool	4.46%	2/63	6,108
5,965	Federal National Mortgage Association Pool	3.50%	5/43	6,064
5,647	Federal National Mortgage Association Pool	4.00%	7/26	5,955
5,385	Government National Mortgage Association Pool	4.58%	10/62	5,952
5,319	Government National Mortgage Association Pool	4.52%	1/63	5,875
5,771	Federal National Mortgage Association Pool	3.50%	6/43	5,869
5,178	Government National Mortgage Association Pool	4.60%	6/62	5,718

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2013 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value/Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Principal and Interest - Fixed Rate Agency Securities (129.00%) (continued)				
$5,157	Government National Mortgage Association Pool	4.63%	6/61	$ 5,661
5,062	Federal National Mortgage Association Pool	5.00%	6/41	5,474
5,252	Federal Home Loan Mortgage Corporation Pool	4.00%	5/42	5,473
5,355	Federal National Mortgage Association Pool	3.50%	8/42	5,444
5,034	Federal National Mortgage Association Pool	4.00%	4/42	5,277
5,040	Federal National Mortgage Association Pool	4.00%	10/41	5,260
5,023	Federal National Mortgage Association Pool	3.50%	6/43	5,056
4,638	Federal National Mortgage Association Pool	5.00%	11/40	5,038
4,624	Federal National Mortgage Association Pool	5.00%	7/41	4,999
5,092	Federal Home Loan Mortgage Corporation Pool	3.00%	6/43	4,970
4,658	Federal National Mortgage Association Pool	4.50%	8/41	4,939
4,669	Federal National Mortgage Association Pool	3.50%	7/42	4,747
4,730	Federal Home Loan Mortgage Corporation Pool	3.00%	2/43	4,617
4,418	Federal Home Loan Mortgage Corporation Pool	4.00%	2/42	4,605
4,465	Federal National Mortgage Association Pool	3.50%	11/42	4,543
4,456	Federal National Mortgage Association Pool	3.50%	7/42	4,528
4,173	Federal National Mortgage Association Pool	4.00%	9/42	4,357
3,965	Federal National Mortgage Association Pool	5.00%	10/41	4,280
4,267	Federal Home Loan Mortgage Corporation Pool	3.50%	6/43	4,274
4,010	Federal National Mortgage Association Pool	3.00%	7/27	4,129
3,886	Federal National Mortgage Association Pool	3.50%	8/42	3,950
3,511	Federal National Mortgage Association Pool	5.00%	10/35	3,834
3,439	Government National Mortgage Association Pool	4.66%	1/63	3,821
3,368	Government National Mortgage Association Pool	4.80%	2/61	3,698
3,300	Government National Mortgage Association Pool	4.48%	2/63	3,639
3,587	Federal Home Loan Mortgage Corporation Pool	3.50%	11/42	3,637
3,453	Federal National Mortgage Association Pool	4.00%	6/26	3,634
3,429	Federal National Mortgage Association Pool	3.50%	6/27	3,581
3,483	Federal Home Loan Mortgage Corporation Pool	3.00%	6/28	3,572
3,552	Federal Home Loan Mortgage Corporation Pool	3.50%	6/43	3,566
3,387	Federal National Mortgage Association Pool	4.00%	4/42	3,535
3,469	Federal National Mortgage Association Pool	3.50%	1/43	3,529
3,229	Federal National Mortgage Association Pool	5.00%	6/40	3,514
3,292	Federal National Mortgage Association Pool	4.50%	4/42	3,500
3,145	Government National Mortgage Association Pool	4.68%	10/61	3,466
3,326	Federal National Mortgage Association Pool	3.00%	6/28	3,430
3,338	Federal National Mortgage Association Pool	3.00%	3/28	3,426
3,242	Federal National Mortgage Association Pool	4.00%	9/42	3,385

3,170	Federal National Mortgage Association Pool	4.50%	12/41	3,374

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2013 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value/Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Principal and Interest - Fixed Rate Agency Securities (129.00%) (continued)				
$3,383	Federal Home Loan Mortgage Corporation Pool	3.00%	11/42	$ 3,301
3,162	Federal Home Loan Mortgage Corporation Pool	4.00%	1/42	3,293
3,361	Federal Home Loan Mortgage Corporation Pool	3.00%	4/43	3,281
3,228	Federal National Mortgage Association Pool	3.50%	12/42	3,280
3,026	Federal Home Loan Mortgage Corporation Pool	4.50%	9/41	3,206
3,148	Federal National Mortgage Association Pool	3.50%	5/43	3,202
131,020	Other Federal National Mortgage Association Pools	3.00% - 6.00%	3/26 - 7/43	136,057
45,976	Other Federal Home Loan Mortgage Corporation Pools	3.00% - 6.00%	4/26 - 7/43	46,836
13,609	Other Government National Mortgage Association Pools	4.49% - 4.69%	7/61 - 11/62	15,018
				822,835
Interest Only - Fixed Rate Agency Securities (1.98%)				
53,465	Other Federal National Mortgage Association	3.00% - 5.50%	12/20 - 4/43	6,177
24,264	Other Federal Home Loan Mortgage Corporation	3.00% - 5.50%	12/32 - 1/43	3,393
22,552	Other Government National Mortgage Association	3.00% - 5.50%	3/36 - 11/42	3,043
				12,613
TBA - Fixed Rate Agency Securities (12.69%)				
65,800	Federal Home Loan Mortgage Corporation (30 Year)	3.00%	7/13	64,135
15,570	Federal National Mortgage Association (30 Year)	4.00%	7/13	16,221
600	Other Federal National Mortgage Association (15 Year)	2.50%	7/13	603
				80,959
Total Fixed Rate Agency Securities (Cost $938,872)				916,407
Floating Rate Agency Securities (3.95%)				
Principal and Interest - Floating Rate Agency Securities (1.63%)				
3,804	Federal National Mortgage Association Pool	2.53%	5/38	4,005
3,243	Federal National Mortgage Association Pool	2.55%	12/35	3,407
2,851	Other Federal National Mortgage Association Pools	2.69% - 4.93%	4/36 - 9/37	3,013
				10,425
Interest Only - Floating Rate Agency Securities (2.32%)				
46,845	Other Government National Mortgage Association	2.58% - 6.56%	11/42 - 4/61	6,165
31,510	Other Federal National Mortgage Association	5.50% - 6.56%	8/36 - 2/43	5,865

23,104	Resecuritization of Government National Mortgage Association (q)	4.28%	8/60	2,754
				14,784
Total Floating Rate Agency Securities (Cost $25,535)				25,209
Total Agency Securities (Cost $964,407)				941,616

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2013 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value/Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Private Label Securities (112.63%)				
Principal and Interest - Private Label Securities (112.06%)				
$989,570	Various	0.28% - 9.35%	5/19 - 6/47	$ 714,797
Total Principal and Interest - Private Label Securities (Cost $656,261)				714,797
Principal Only - Private Label Securities (0.39%)				
5,800	Various	—%	8/30	2,466
Total Principal Only - Private Label Securities (Cost $2,355)				2,466
Interest Only - Private Label Securities (0.18%)				
54,772	Various	0.50%-2.00%	6/44 - 9/47	1,153
Total Interest Only - Private Label Securities (Cost $569)				1,153
Other Private Label Securities (0.00%)				
136,465	Various	—%	6/37	—
Total Other Private Label Securities (Cost $370)				—
Total Private Label Securities (Cost $659,555)				718,416
Total Mortgage-Backed Securities (Cost $1,623,962)				1,660,032
Other Asset-Backed Securities (6.25%)				
43,432	Various	0% - 9.78%	6/17 - 12/49	39,840
Total Other Asset-Backed Securities (Cost $40,767)				39,840
Commercial Mortgage Loans (1.18%) (o)				
9,041	Various	0% - 7.25%	11/13 - 6/14	7,563
Total Commercial Mortgage Loans (Cost $7,453)				7,563
Common Stock (0.47%)				
130	Publicly Traded Real Estate Investment Trusts			2,987
Total Common Stock (Cost $2,952)				2,987
Total Long Investments (Cost $1,675,134)				$ 1,710,422
Repurchase Agreements (6.46%) (a) (c)				
$18,116	J.P. Morgan Securities Inc. Collateralized by Par Value $18,700 U.S. Treasury Note, Coupon 2.00%, Maturity Date 2/23	0.03%	7/13	$18,116
13,422	J.P. Morgan Securities Inc. Collateralized by Par Value $13,000 U.S. Treasury Note, Coupon 1.75%, Maturity Date 5/16	0.12%	7/13	13,422
9,650	Bank of America Securities Collateralized by Par Value $10,000 U.S. Treasury Note, Coupon 1.13%, Maturity Date 12/19	0.08%	7/13	9,650

Total Repurchase Agreements (Cost $41,188)	$41,188

See Notes to Consolidated Financial Statements

ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2013 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value/Number of Shares		Description	Rate	Maturity	Fair Value	
(In thousands)					Expressed in U.S. Dollars	
Investments Sold Short (-95.46%) (a)						
TBA - Fixed Rate Agency Securities Sold Short (-88.08%) (d)						
$(193,482	)	Federal National Mortgage Association (30 Year)	3.50%	7/13	$ (196,437	)
(77,380	)	Federal National Mortgage Association (30 Year)	4.50%	7/13	(81,893	)
(61,400	)	Federal National Mortgage Association (30 Year)	5.00%	7/13	(66,091	)
(42,160	)	Federal National Mortgage Association (15 Year)	3.00%	7/13	(43,369	)
(40,400	)	Federal National Mortgage Association (30 Year)	3.50%	8/13	(40,900	)
(27,950	)	Federal National Mortgage Association (30 Year)	3.00%	7/13	(27,320	)
(20,100	)	Federal Home Loan Mortgage Corporation (30 Year)	3.50%	7/13	(20,356	)
(16,500	)	Federal Home Loan Mortgage Corporation (30 Year)	5.00%	7/13	(17,621	)
(15,800	)	Federal National Mortgage Association (15 Year)	3.50%	7/13	(16,475	)
(14,104	)	Federal National Mortgage Association (15 Year)	4.00%	7/13	(14,869	)
(11,000	)	Federal National Mortgage Association (15 Year)	4.50%	7/13	(11,656	)
(9,200	)	Federal Home Loan Mortgage Corporation (30 Year)	4.00%	7/13	(9,564	)
(7,400	)	Federal National Mortgage Association (30 Year)	4.00%	8/13	(7,689	)
(3,500	)	Federal National Mortgage Association (30 Year)	5.50%	7/13	(3,801	)
(2,500	)	Other Federal National Mortgage Association (30 Year)	6.00%	7/13	(2,720	)
(1,000	)	Other Federal Home Loan Mortgage Corporation (30 Year)	6.00%	7/13	(1,084	)
Total TBA - Fixed Rate Agency Securities Sold Short (Proceeds -$566,128)					(561,845	)
U.S. Treasury Securities Sold Short (-6.42%)						
(18,700	)	U.S. Treasury Note	2.00%	2/23	(17,989	)
(13,000	)	U.S. Treasury Note	1.75%	5/16	(13,408	)
(10,000	)	U.S. Treasury Note	1.13%	12/19	(9,580	)
Total U.S. Treasury Securities Sold Short (Proceeds -$41,929)					(40,977	)
Common Stock Sold Short (-0.96%)						
(439)		Publicly Traded Real Estate Investment Trusts			(6,100	)
Total Common Stock Sold Short (Proceeds -$6,151)					(6,100	)
Total Investments Sold Short (Proceeds -$614,208)					$ (608,922	)

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2013 (CONTINUED)
(UNAUDITED)

(In thousands)	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value Expressed in U.S. Dollars
Financial Derivatives - Assets (7.36%) (a)				
Swaps (7.36%)				
Long Swaps:				
Credit Default Swaps on Corporate Bond Indices (Cost - $171) (f)	Credit	$4,875	12/17	$ 127
Credit Default Swaps on Asset-Backed Indices (Proceeds - $217) (e)	Credit	2,192	12/37	65
Total Return Swaps (k)	Equity Market	2,922	3/14 - 6/15	65
Short Swaps:				
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(26,625)	11/34 - 5/36	21,134
Credit Default Swaps on Asset-Backed Indices (h)	Credit	(63,937)	5/46 - 5/63	9,553
Interest Rate Swaps (i)	Interest Rates	(647,200)	3/15 - 6/23	15,967
Total Return Swaps (k)	Equity Market	(5,590)	9/13	61
Total Swaps (Net cost $47,291)				46,972
Futures (0.00%)				
Long Futures:				
U.S. Treasury Note Futures (m)	Interest Rates	6,700	9/13	5
Total Futures				5
Total Financial Derivatives - Assets (Net cost $47,291)				$ 46,977
Financial Derivatives - Liabilities (-2.91%) (a)				
Swaps (-2.90%)				
Long Swaps:				
Credit Default Swaps on Asset-Backed Indices (Proceeds - $13,953) (e)	Credit	$41,455	12/49 - 5/52	$ (13,543)
Total Return Swaps (k)	Equity Market	4,817	3/14 - 6/15	(118)
Short Swaps:				
Interest Rate Swaps (i)	Interest Rates	(4,200)	7/23	(22)
Credit Default Swaps on Corporate Bond Indices (j)	Credit	(111,438)	12/17 - 6/18	(4,236)
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(4,638)	9/34 - 3/35	(541)
Total Return Swaps (k)	Equity Market	(6,354)	9/13	—
Total Swaps (Net proceeds -$16,042)				(18,460)
Futures (-0.01%)				
Long Futures:				
U.S. Treasury Note Futures (n)	Interest Rates	27,800	9/13	$ (54)
Short Futures:				
Eurodollar Futures (l)	Interest Rates	(21,000)	9/13	(29)
Total Futures				(83)
Total Financial Derivatives - Liabilities (Net proceeds -$16,042)				$ (18,543)

See Notes to Consolidated Financial Statements

ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2013 (CONCLUDED)
(UNAUDITED)

(a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
(b) At June 30, 2013, 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 97.77%, 37.76%, and 12.09% of equity, respectively.
(c) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.
(d) At June 30, 2013, the Company's short investments guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation represented 80.46% and 7.62% of equity, respectively.
(e) For long credit default swaps on asset-backed indices, the Company sold protection.
(f) For long credit default swaps on corporate bond indices, the Company sold protection.
(g) For short credit default swaps on asset-backed securities, the Company purchased protection.
(h) For short credit default swaps on asset-backed indices, the Company purchased protection.
(i) For short interest rate swap contracts, a fixed rate is being paid and a floating rate is being received.
(j) For short credit default swaps on corporate bond indices, the Company purchased protection.
(k) Notional value represents number of underlying shares or par value times the closing price of the underlying security.
(l) Every $1,000,000 in notional value represents one contract.
(m) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of June 30, 2013 67 contracts were held.
(n) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of June 30, 2013 229 contracts were held.
(o) Includes a loan with a fair value in the amount of $5.0 million where the maturity date may be extended through November 4, 2015 as well as a non-performing commercial whole loan.
(p) The table below shows the ratings on the Company's long investments, excluding common stock, from Moody's, Standard and Poor's, or Fitch, as well as the Company's long investments that were unrated but affiliated with Fannie Mae, Freddie Mac, or Ginnie Mae. 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	146.99	%
Aaa/AAA/AAA	0.00	%
Aa/AA/AA	0.00	%
A/A/A	1.16	%
Baa/BBB/BBB	1.81	%
Ba/BB/BB or below	113.82	%
Unrated	3.90	%

(q) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.
(r) Classification percentages are based on Total Equity.

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2012
(UNAUDITED)

Current Principal/ Notional Value	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
North America (p)				
Long Investments (271.57%) (a) (n)				
Mortgage-Backed Securities (269.68%)				
Agency Securities (161.52%) (b)				
Fixed Rate Agency Securities (157.46%)				
Principal and Interest - Fixed Rate Agency Securities (148.21%)				
$49,427	Federal National Mortgage Association Pool	3.50%	12/42	$ 52,864
45,304	Federal Home Loan Mortgage Corporation Pool	3.50%	11/42	48,596
35,601	Federal National Mortgage Association Pool	5.00%	7/37	38,657
21,338	Federal National Mortgage Association Pool	4.50%	12/41	23,268
18,227	Federal National Mortgage Association Pool	3.50%	8/42	19,552
17,845	Federal National Mortgage Association Pool	4.50%	9/41	19,459
17,634	Federal Home Loan Mortgage Corporation Pool	5.00%	7/41	19,218
17,621	Federal National Mortgage Association Pool	5.00%	8/41	19,201
17,113	Federal National Mortgage Association Pool	4.50%	10/41	18,661
15,869	Federal National Mortgage Association Pool	5.00%	3/41	17,430
14,911	Federal National Mortgage Association Pool	3.00%	10/42	15,642
14,242	Federal National Mortgage Association Pool	4.00%	8/42	15,407
13,519	Federal Home Loan Mortgage Corporation Pool	3.00%	10/42	14,157
11,985	Federal National Mortgage Association Pool	4.50%	9/41	12,994
11,942	Federal National Mortgage Association Pool	4.00%	11/41	12,848
11,003	Federal National Mortgage Association Pool	5.00%	7/41	12,058
10,576	Federal National Mortgage Association Pool	4.00%	1/42	11,355
9,576	Federal National Mortgage Association Pool	4.50%	4/26	10,338
9,002	Federal Home Loan Mortgage Corporation Pool	4.50%	10/41	9,772
8,321	Federal Home Loan Mortgage Corporation Pool	4.50%	2/41	9,038
7,395	Federal National Mortgage Association Pool	5.50%	10/39	8,075
7,428	Federal National Mortgage Association Pool	3.50%	10/42	7,984
7,352	Federal National Mortgage Association Pool	4.00%	7/26	7,888
6,324	Federal National Mortgage Association Pool	5.00%	6/41	6,891
5,929	Federal National Mortgage Association Pool	3.50%	5/42	6,356
5,689	Federal Home Loan Mortgage Corporation Pool	4.00%	5/42	6,141
5,592	Federal National Mortgage Association Pool	4.00%	10/41	6,079
5,642	Federal National Mortgage Association Pool	3.50%	11/42	6,020
5,494	Federal National Mortgage Association Pool	3.50%	8/42	5,862
5,085	Federal National Mortgage Association Pool	5.00%	10/41	5,534
5,085	Federal National Mortgage Association Pool	4.00%	4/42	5,531
5,045	Federal National Mortgage Association Pool	5.00%	11/40	5,497
5,025	Federal National Mortgage Association Pool	5.00%	7/41	5,444
4,944	Federal National Mortgage Association Pool	4.50%	8/41	5,361
4,911	Federal Home Loan Mortgage Corporation Pool	3.50%	9/42	5,242

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2012 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Principal and Interest - Fixed Rate Agency Securities (148.21%) (continued)				
$4,676	Federal National Mortgage Association Pool	4.00%	9/42	$ 5,059
4,725	Federal National Mortgage Association Pool	3.50%	7/42	5,042
4,699	Federal National Mortgage Association Pool	4.00%	6/26	5,041
4,513	Federal National Mortgage Association Pool	3.50%	11/42	4,828
4,465	Federal Home Loan Mortgage Corporation Pool	4.00%	2/42	4,787
4,456	Federal National Mortgage Association Pool	3.00%	7/27	4,710
4,261	Federal National Mortgage Association Pool	3.50%	11/42	4,573
4,009	Federal Home Loan Mortgage Corporation Pool	4.00%	11/41	4,303
3,964	Federal Home Loan Mortgage Corporation Pool	3.50%	11/42	4,229
3,926	Federal National Mortgage Association Pool	3.50%	8/42	4,189
3,798	Federal National Mortgage Association Pool	5.00%	10/35	4,172
3,864	Federal Home Loan Mortgage Corporation Pool	3.50%	10/42	4,116
3,728	Federal National Mortgage Association Pool	5.00%	6/40	4,062
3,726	Federal National Mortgage Association Pool	4.50%	12/41	4,040
3,763	Federal National Mortgage Association Pool	3.50%	6/27	4,022
3,766	Federal National Mortgage Association Pool	3.00%	8/27	3,980
3,606	Federal National Mortgage Association Pool	4.50%	4/42	3,941
3,526	Federal Home Loan Mortgage Corporation Pool	6.00%	4/39	3,848
3,534	Federal National Mortgage Association Pool	3.50%	12/42	3,770
3,442	Federal Home Loan Mortgage Corporation Pool	4.50%	9/41	3,737
3,483	Federal Home Loan Mortgage Corporation Pool	3.50%	11/42	3,712
3,419	Federal National Mortgage Association Pool	4.00%	4/42	3,706
3,404	Federal Home Loan Mortgage Corporation Pool	4.00%	1/42	3,653
3,344	Federal National Mortgage Association Pool	4.00%	9/42	3,618
3,415	Federal Home Loan Mortgage Corporation Pool	3.00%	11/42	3,573
3,288	Federal Home Loan Mortgage Corporation Pool	3.50%	2/42	3,518
3,182	Federal National Mortgage Association Pool	4.00%	8/42	3,440
3,095	Federal National Mortgage Association Pool	4.50%	11/41	3,355
3,053	Federal National Mortgage Association Pool	3.50%	11/42	3,262
2,931	Federal National Mortgage Association Pool	4.00%	8/42	3,178
2,947	Federal National Mortgage Association Pool	3.50%	7/27	3,145
2,921	Federal National Mortgage Association Pool	3.50%	6/27	3,123
2,828	Federal National Mortgage Association Pool	4.50%	10/41	3,076
2,605	Government National Mortgage Association	4.55%	10/62	2,977
2,676	Federal National Mortgage Association Pool	4.50%	10/41	2,901
2,566	Federal National Mortgage Association Pool	4.00%	8/42	2,774
2,490	Federal National Mortgage Association Pool	4.50%	8/42	2,719
2,497	Federal National Mortgage Association Pool	4.00%	9/42	2,699
2,519	Federal National Mortgage Association Pool	3.50%	11/42	2,690
2,520	Federal Home Loan Mortgage Corporation Pool	3.50%	11/42	2,685

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2012 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Principal and Interest - Fixed Rate Agency Securities (148.21%) (continued)				
$2,498	Federal National Mortgage Association Pool	3.50%	8/42	$ 2,679
2,500	Federal Home Loan Mortgage Corporation Pool	3.50%	1/42	2,667
2,452	Federal National Mortgage Association Pool	3.50%	11/42	2,619
2,377	Federal National Mortgage Association Pool	4.00%	6/42	2,564
69,330	Other Federal National Mortgage Association Pools	2.50% - 6.00%	3/26 - 1/43	74,508
19,340	Other Federal Home Loan Mortgage Corporation Pools	3.50% - 6.00%	4/26 - 12/42	20,744
				750,454
Interest Only - Fixed Rate Agency Securities (0.64%)				
20,095	Other Federal National Mortgage Association	4.00% - 5.50%	1/36 - 10/40	1,920
10,426	Other Federal Home Loan Mortgage Corporation	5.00% - 5.50%	6/33 - 1/39	1,195
4,269	Other Government National Mortgage Association	5.50%	3/36	135
				3,250
TBA - Fixed Rate Agency Securities (8.61%)				
18,950	Federal Home Loan Mortgage Corporation (30 Year)	4.00%	1/13	20,232
16,600	Federal National Mortgage Association (15 Year)	3.00%	1/13	17,523
5,600	Federal Home Loan Mortgage Corporation (30 Year)	3.00%	1/13	5,855
				43,610
Total Fixed Rate Agency Securities (Cost $789,964)				797,314
Floating Rate Agency Securities (4.06%)				
Principal and Interest - Floating Rate Agency Securities (3.39%)				
6,045	Federal National Mortgage Association Pool	5.08%	5/38	6,374
4,537	Federal National Mortgage Association Pool	3.14%	12/35	4,783
2,478	Federal National Mortgage Association Pool	5.69%	4/36	2,627
3,159	Other Federal National Mortgage Association Pools	4.93% - 5.50%	7/37 - 9/37	3,385
				17,169
Interest Only - Floating Rate Agency Securities (0.67%)				
23,140	Resecuritization of Government National Mortgage Association (o)	4.28%	8/60	3,242
1,042	Other Federal National Mortgage Association	5.50%	8/36	152
				3,394
Total Floating Rate Agency Securities (Cost $19,979)				20,563
Total Agency Securities (Cost $809,943)				817,877

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2012 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Private Label Securities (108.16%)				
Principal and Interest - Private Label Securities (107.47%)				
$850,320	Various	0.17% - 9.35%	5/19 - 5/47	$ 544,208
Total Principal and Interest - Private Label Securities (Cost $505,380)				544,208
Principal Only - Private Label Securities (0.46%)				
5,800	Various	—%	8/30	2,320
Total Principal Only - Private Label Securities (Cost $2,242)				2,320
Interest Only - Private Label Securities (0.23%)				
61,640	Various	0.50% - 2.00%	6/44 - 9/47	1,165
Total Interest Only - Private Label Securities (Cost $637)				1,165
Other Private Label Securities (0.00%)				
158,348	Various	—%	6/37	—
Total Other Private Label Securities (Cost $429)				—
Total Private Label Securities (Cost $508,688)				547,693
Total Mortgage-Backed Securities (Cost $1,318,631)				1,365,570
Commercial Mortgage Loans (1.89%) (m)				
10,225	Various	5.00% - 6.25%	11/13 - 5/39	9,546
Total Commercial Mortgage Loans (Cost $9,522)				9,546
Total Long Investments (Cost $1,328,153)				$ 1,375,116
Repurchase Agreements (2.70%) (a) (c)				
$13,650	Bank of America Securities Collateralized by Par Value $13,000 U.S. Treasury Note, Coupon 1.75%, Maturity Date 5/16	0.20%	1/13	$13,650
Total Repurchase Agreements (Cost $13,650)				$13,650

See Notes to Consolidated Financial Statements
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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2012 (CONTINUED)
(UNAUDITED)

Current Principal/Notional Value	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Investments Sold Short (-122.90%) (a)				
TBA - Fixed Rate Agency Securities Sold Short (-120.22%) (d)				
$(198,168)	Federal National Mortgage Association (30 Year)	3.50%	1/13	$ (211,343)
(87,500)	Federal National Mortgage Association (30 Year)	5.00%	1/13	(94,794)
(77,730)	Federal National Mortgage Association (30 Year)	4.50%	1/13	(83,982)
(53,400)	Federal Home Loan Mortgage Corporation (30 Year)	3.50%	1/13	(56,804)
(34,510)	Federal National Mortgage Association (15 Year)	3.00%	1/13	(36,430)
(31,600)	Federal National Mortgage Association (30 Year)	3.00%	1/13	(33,128)
(16,500)	Federal Home Loan Mortgage Corporation (30 Year)	5.00%	1/13	(17,776)
(16,450)	Federal National Mortgage Association (15 Year)	3.50%	1/13	(17,460)
(15,718)	Federal National Mortgage Association (30 Year)	4.00%	1/13	(16,852)
(14,104)	Federal National Mortgage Association (15 Year)	4.00%	1/13	(15,096)
(11,000)	Federal National Mortgage Association (15 Year)	4.50%	1/13	(11,833)
(7,500)	Federal National Mortgage Association (30 Year)	5.50%	1/13	(8,148)
(2,500)	Federal National Mortgage Association (30 Year)	6.00%	1/13	(2,731)
(1,200)	Other Federal National Mortgage Association (15 Year)	2.50%	1/13	(1,255)
(1,000)	Other Federal Home Loan Mortgage Corporation (30 Year)	6.00%	1/13	(1,088)
Total TBA - Fixed Rate Agency Securities Sold Short (Proceeds -$607,967)				(608,720)
U.S. Treasury Securities Sold Short (-2.68%)				
(13,000)	U.S. Treasury Note	1.75%	05/16	(13,581)
Total U.S. Treasury Securities Sold Short (Proceeds -$13,081)				(13,581)
Total Investments Sold Short (Proceeds -$621,048)				$ (622,301)

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2012 (CONTINUED)
(UNAUDITED)

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value
(In thousands)				Expressed in U.S.Dollars
Financial Derivatives - Assets (9.58%) (a)				
Swaps (9.58%)				
Long Swaps:				
Credit Default Swaps on Asset-Backed Indices (Net Cost $135) (e)	Credit	$ 10,166	6/36 - 12/37	$ 765
Short Swaps:				
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(42,121)	9/34 - 5/36	36,031
Credit Default Swaps on Asset-Backed Indices (h)	Credit	(66,829)	5/46 - 10/52	11,703
Interest Rate Swaps (i)	Interest Rates	(18,900)	10/17	5
Total Swaps (Net cost $65,860)				48,504
Total Financial Derivatives - Assets (Net cost $65,860)				$ 48,504
Financial Derivatives - Liabilities (-3.00%) (a)				
Swaps (-2.99%)				
Long Swaps:				
Credit Default Swaps on Asset-Backed Indices (Proceeds - $12,736) (e)	Credit	30,050	12/49 - 2/51	$ (12,751)
Interest Rate Swaps (f)	Interest Rates	2,500	11/22 - 12/22	(32)
Short Swaps:				
Interest Rate Swaps (i)	Interest Rates	(220,000)	8/14 - 11/22	(1,092)
Credit Default Swaps on Asset-Backed Indices (h)	Credit	(7,792)	6/36 - 12/37	(717)
Credit Default Swaps on Corporate Bond Indices (j)	Credit	(67,500)	12/17	(484)
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(3,000)	3/35	(1)
Total Return Swaps (k)	Equity Market	(18,737)	9/13	(65)
Total Swaps (Net proceeds -$13,171)				(15,142)
Futures (-0.01%)				
Short Futures:				
Eurodollar Futures (l)	Interest Rates	(63,000)	3/13 - 9/13	(70)
Total Futures				(70)
Total Financial Derivatives - Liabilities (Net proceeds -$13,171)				$ (15,212)

See Notes to Consolidated Financial Statements

ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2012 (CONCLUDED)
(UNAUDITED)

(a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
(b) At December 31, 2012, 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 119.78%, 40.49%, and 1.25% of equity, respectively.
(c) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.
(d) At December 31, 2012, the Company’s short investments guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation represented 105.27% and 14.95% of equity, respectively.
(e) For long credit default swaps on asset-backed indices, the Company sold protection.
(f) For long interest rate swap contracts, a floating rate is being paid and a fixed rate is being received.
(g) For short credit default swaps on asset-backed securities, the Company purchased protection.
(h) For short credit default swaps on asset-backed indices, the Company purchased protection.
(i) For short interest rate swap contracts, a fixed rate is being paid and a floating rate is being received.
(j) For short credit default swaps on corporate bond indices, the Company purchased protection.
(k) Notional value represents number of underlying shares or par value times the closing price of the underlying security.
(l) Every $1,000,000 in notional value represents one contract.
(m) Includes a loan with a fair value in the amount of $4.9 million where the maturity date may be extended through November 4, 2015 as well as a non-performing commercial whole loan.
(n) 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 affiliated with Fannie Mae, Freddie Mac, or Ginnie Mae. 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	161.52	%
Aaa/AAA/AAA	0.01	%
Aa/AA/AA	0.26	%
A/A/A	1.02	%
Baa/BBB/BBB	3.70	%
Ba/BB/BB or below	102.40	%
Unrated	2.66	%

(o) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.
(p) Classification percentages are based on Total Equity.

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

(In thousands except per share amounts)	Three Month Period Ended June 30, 2013	Three Month Period Ended June 30, 2012	Six Month Period Ended June 30, 2013	Six Month Period Ended June 30, 2012
	Expressed in U.S. Dollars			
INVESTMENT INCOME				
Interest income	$20,335	$16,045	$38,717	$31,777
EXPENSES				
Base management fee	2,405	1,497	4,373	2,988
Incentive fee	1,182	2,312	3,237	2,312
Interest expense	2,582	1,992	4,724	3,824
Other investment related expenses	327	—	327	—
Compensation expense	432	300	760	675
Custody and other fees	338	304	656	608
Professional fees	338	328	779	606
Agency and administration fees	281	217	543	430
Insurance expense	173	177	353	354
Directors' fees and expenses	66	66	143	140
Share-based LTIP expense	43	30	85	58
Total expenses	8,167	7,223	15,980	11,995
NET INVESTMENT INCOME	12,168	8,822	22,737	19,782
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FINANCIAL DERIVATIVES				
Net realized gain (loss) on:				
Investments	10,598	(2,734)	24,596	5,413
Swaps	(4,152)	(8,537)	(5,535)	(28,464)
Futures	(775)	(9)	(797)	(17)
	5,671	(11,280)	18,264	(23,068)
Change in net unrealized gain (loss) on:				
Investments	(27,971)	10,300	(5,132)	28,430
Swaps	21,866	2,928	16,589	17,745
Futures	(29)	(2)	(7)	(66)
	(6,134)	13,226	11,450	46,109
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FINANCIAL DERIVATIVES	(463)	1,946	29,714	23,041
NET INCREASE IN EQUITY RESULTING FROM OPERATIONS	11,705	10,768	52,451	42,823
LESS: NET INCREASE IN EQUITY RESULTING FROM OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	105	—	516	—
NET INCREASE IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS	$11,600	$10,768	$51,935	$42,823
NET INCREASE IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS PER SHARE:				
Basic and Diluted	$0.49	$0.64	$2.35	$2.54

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

	Six Month Period Ended June 30, 2013			Six Month Period Ended June 30, 2012		
	Shareholders' Equity	Non-controlling Interest	Total Equity	Shareholders' Equity	Non-controlling Interest	Total Equity
(In thousands)	Expressed in U.S. Dollars					
BEGINNING EQUITY (12/31/2012 and 12/31/2011, respectively)	$506,355	$ —	$506,355	$370,916	$ —	$370,916
CHANGE IN EQUITY RESULTING FROM OPERATIONS						
Net investment income			22,737			19,782
Net realized gain (loss) on investments and financial derivatives			18,264			(23,068)
Change in net unrealized gain (loss) on investments and financial derivatives			11,450			46,109
Net increase in equity resulting from operations	51,935	516	52,451	42,823	—	42,823
CHANGE IN EQUITY RESULTING FROM TRANSACTIONS						
Proceeds from the issuance of shares	125,600		125,600	—		—
Shares issued in connection with incentive fee payment	941		941	—		—
Contribution from non-controlling interest		4,664	4,664		—	—
Dividends(1)	(51,491)	(485)	(51,976)	(18,522)	—	(18,522)
Offering costs	(262)		(262)	—		—
Share-based LTIP awards	84	1	85	58	—	58
Net increase (decrease) in equity from transactions	74,872	4,180	79,052	(18,464)	—	(18,464)
Net increase in equity	126,807	4,696	131,503	24,359	—	24,359
ENDING EQUITY (6/30/2013 and 6/30/2012, respectively)	$633,162	$ 4,696	$637,858	$395,275	$ —	$395,275

(1) For the six month periods ended June 30, 2013 and 2012, dividends totaling $2.29 and $1.10, respectively, per common share and convertible unit outstanding were declared and paid.

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

(In thousands)	Six Month Period Ended June 30, 2013	Six Month Period Ended June 30, 2012
	Expressed in U.S. Dollars	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
NET INCREASE IN EQUITY RESULTING FROM OPERATIONS	$52,451	$42,823
Cash flows provided by (used) in operating activities:		
Reconciliation of the net increase in equity resulting from operations to net cash provided by (used in) operating activities:		
Change in net unrealized gain (loss) on investments and financial derivatives	(11,450)	(46,109)
Net realized (gain) loss on investments and financial derivatives	(18,264)	23,068
Amortization of premiums and accretion of discounts (net)	(10,204)	(5,150)
Purchase of investments	(1,026,018)	(1,188,608)
Proceeds from disposition of investments	602,098	1,257,719
Proceeds from principal payments of investments	97,641	63,097
Proceeds from investments sold short	631,565	480,034
Repurchase of investments sold short	(624,288)	(459,870)
Payments made to open financial derivatives	(4,974)	(67,208)
Proceeds received to close financial derivatives	23,201	89,373
Proceeds received to open financial derivatives	11,815	35,603
Payments made to close financial derivatives	(14,934)	(38,363)
Shares issued in connection with incentive fee payment	941	—
Share-based LTIP expense	85	58
(Increase) decrease in assets:		
Increase in repurchase agreements	(27,538)	(20,998)
Increase in receivable for securities sold	(45,116)	(78,158)
(Increase) decrease in due from brokers	(25,550)	4,803
Increase in interest and principal receivable	(852)	(1,002)
Increase in other assets	(674)	(626)
Increase (decrease) in liabilities:		
Decrease in due to brokers	(609)	(33,350)
Increase (decrease) in payable for securities purchased	78,751	(44,217)
Increase (decrease) in accounts payable and accrued expenses	(159)	278
Increase (decrease) in incentive fee payable	(6,161)	2,312
Increase (decrease) in other payables	(592)	—
Increase (decrease) in interest and dividends payable	948	(224)
Increase in base management fee payable	471	101
Net cash provided by (used in) operating activities	(317,416)	15,386
Cash flows provided by (used in) financing activities:		
Proceeds from the issuance of shares	125,600	—
Contribution from non-controlling interest	4,664	—
Offering costs paid	(253)	—
Dividends paid	(51,976)	(18,522)
Proceeds from issuance of securitized debt	—	1,522

Principal payments on securitized debt	(182)	(115)
Reverse repurchase agreements, net of repayments	382,274	(12,888)
Net cash provided by (used in) financing activities	460,127	(30,003)

See Notes to Consolidated Financial Statements

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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	142,711	(14,617)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	59,084	62,737
CASH AND CASH EQUIVALENTS, END OF PERIOD	$201,795	$48,120
Supplemental disclosure of cash flow information:		
Interest paid	$4,007	$4,034
Shares issued in connection with incentive fee payment (non-cash)	$941	$—
Share-based LTIP awards (non-cash)	$85	$58
Aggregate TBA trade activity (buys + sells) (non-cash)	$10,009,367	$8,312,761

See Notes to Consolidated Financial Statements

ELLINGTON FINANCIAL LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013
(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% 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. EF Securities LLC, a wholly owned consolidated subsidiary of the Operating Partnership, was formed as a Delaware limited liability company on October 12, 2007 and commenced operations on November 30, 2007. EF Mortgage LLC, a wholly owned consolidated subsidiary of the Operating Partnership, was formed as a Delaware limited liability company on June 3, 2008 and commenced operations on July 8, 2008. EF CMO LLC, a wholly owned consolidated subsidiary of EF Mortgage LLC, was formed as a Delaware limited liability company on June 3, 2008 and commenced operations on July 8, 2008. EF Special Transactions LLC, a wholly owned consolidated subsidiary of EF CMO LLC, was formed as a Delaware limited liability company on December 14, 2011 and commenced operations on January 31, 2012. EF SBC 2013-1 LLC, a consolidated subsidiary of EF Mortgage LLC, was formed as a Delaware limited liability company on January 3, 2013 and commenced operations on January 8, 2013. Ellington Financial LLC, the Operating Partnership, EF Securities LLC, EF Mortgage LLC, EF CMO LLC, EF Special Transactions LLC, and EF SBC 2013-1 LLC are hereafter collectively referred to as the "Company." All inter-company accounts are eliminated in consolidation.

The Company is a specialty finance company that acquires and manages mortgage-related assets, including residential mortgage-backed securities, or "RMBS," backed by prime jumbo, Alt-A, manufactured housing and subprime residential mortgage loans, RMBS for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored enterprise, mortgage-related derivatives, commercial mortgage-backed securities, or "CMBS," commercial mortgage loans and other commercial real estate debt, as well as corporate debt and equity securities, and derivatives. The Company may also opportunistically acquire and manage other types of mortgage-related and financial asset classes, such as residential whole mortgage loans, asset-backed securities, or "ABS," backed by consumer and commercial assets and non-mortgage-related derivatives.

Ellington Financial Management LLC ("EFM" or the "Manager") is a registered investment adviser and a registered commodity pool operator that serves as the Manager to the Company pursuant to the terms of a management agreement (the "Management Agreement"). EFM is an affiliate of Ellington Management Group, L.L.C., 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 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 for investment companies, ASC 946, Financial Services—Investment Companies ("ASC 946"), for interim financial information. ASC 946 requires, among other things, that investments be reported at fair value in the financial statements. The consolidated financial statements include the accounts of the Company, the Operating Partnership and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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. 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, 2012.

(B) Valuation: The Company applies ASC 820-10, Fair Value Measurement and Disclosures ("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 transparency 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,

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- 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, and
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in these securities.

(C) Securities Transactions and Investment Income: Securities transactions are generally recorded on trade date. Realized and unrealized gains and losses are calculated based on identified cost. Interest income, which includes accretion of discounts and amortization of premiums on mortgage-backed securities, or "MBS," ABS, commercial mortgage loans, U.S. Treasury securities, and securitized debt, is recognized over the life of the investment using 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 and require the use of a significant amount of judgment. Principal write-offs are generally treated as realized losses. For non-performing commercial mortgage loans, purchase discounts are generally not amortized.

(D) Cash and Cash Equivalents: Cash and cash equivalents include amounts held in an interest bearing overnight account and money market funds. As of June 30, 2013 and December 31, 2012, all cash was held in an interest bearing account at the Bank of New York Mellon Corporation.

(E) Financial Derivatives: The Company enters into various types of financial derivatives. The two major types utilized are swaps and futures.

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 total return swap activity has been equity market risk. The primary risk associated with the Company's credit default swaps is credit risk.

The Company is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. 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 rate of interest on a notional principal amount and receives a fixed rate 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 often varies 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 referenced asset. The Company is subject to market price volatility of the underlying referenced 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 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 or total return of the referenced 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/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. The Company may be required to deliver or receive cash or securities as collateral upon entering into swap transactions.

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The Company's swap contracts are generally governed by International Swaps and Derivatives Association, or "ISDA," trading agreements, which are separately negotiated agreements with dealer counterparties. Changes in the relative value of the swap transactions may require the Company or the counterparty to post or receive additional collateral. Typically, a collateral payment or receipt is triggered based on the net change in the value of all contracts governed by a particular ISDA trading agreement. Collateral received from counterparties is included in Due to brokers on the Consolidated Statement of Assets, Liabilities, and Equity. Collateral paid to counterparties is included in Due from brokers on the Consolidated Statement of Assets, Liabilities, and Equity. Entering into swap contracts involves market risk in excess of amounts recorded on the Consolidated Statement of Assets, Liabilities, and Equity.
Futures Contracts: A futures contract is an agreement between two parties to buy and sell a financial instrument for a set price on a future date. The Company enters into Eurodollar and/or U.S. Treasury Note futures contracts to hedge its interest rate risk. Initial margin deposits are made upon entering into futures contracts and can 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 on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received periodically, depending upon whether unrealized gains or losses 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.
Derivative instruments 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, interest rate swaps, total return swaps, and futures contracts.
Swap assets are included in Financial derivatives—assets at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. Swap liabilities are included in Financial derivatives—liabilities at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. In addition, swap contracts are summarized by type on the Consolidated Condensed Schedule of Investments. Unrealized appreciation on futures contracts is included in Financial derivatives—assets at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. Unrealized depreciation on futures contracts is included in Financial derivatives—liabilities at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. For interest rate swaps, total return swaps, credit default swaps, and futures, notional values reflected on the Consolidated Condensed Schedule of Investments represent approximately 132%, 113%, 109%, and 66% respectively, of average monthly notional values of each such category outstanding during the six month period ended June 30, 2013. For interest rate swaps, total return swaps, credit default swaps, and futures, notional values reflected on the Consolidated Condensed Schedule of Investments represent approximately 92%, 87%, 78%, and 57%, respectively, of average monthly notional values of each such category outstanding during the year ended December 31, 2012. The Company uses average monthly notional values outstanding to indicate the volume of activity with respect to these instruments.
(F) Investments Sold Short: When the Company sells securities short, it typically satisfies its security delivery settlement obligation by obtaining the security sold 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 and 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. Interest on the value of repurchase and reverse repurchase agreements issued and outstanding is based upon competitive market rates at the time of issuance. The Company accounts for reverse repurchase agreements as collateralized borrowings. When the Company enters into a reverse repurchase agreement, the lender establishes and maintains an account containing cash and securities having a value not less than the repurchase price, including accrued interest, of the reverse repurchase agreement. The Company enters into repurchase agreement transactions with third-party broker-dealers 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. Assets held pursuant to repurchase agreements are reflected as assets on

the Consolidated Statement of Assets, Liabilities, and Equity. 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 netted in the consolidated financial statements.

Reverse repurchase agreements are carried at their contractual amounts, which the Company believes is the best estimate of fair value. At June 30, 2013, the Company's open reverse repurchase agreements had remaining terms that averaged 62 days and ranged from 2 to 180 days, and had interest rates that averaged 0.91% and ranged from 0.34% to 2.44%. At June 30, 2013,

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approximately 58% of open reverse repurchase agreements were with three counterparties. At December 31, 2012, the Company's open reverse repurchase agreements had remaining terms that averaged 57 days and ranged from 10 to 180 days, and had interest rates that averaged 0.77% and ranged from 0.37% to 2.31%. At December 31, 2012, approximately 67% of open reverse repurchase agreements were with two counterparties.

(H) Securitized Debt: The Company entered into a resecuritization transaction in January 2012, which is accounted for as a collateralized borrowing. The asset contributed to the securitization was not derecognized but rather, the liability issued by the securitization was recorded to reflect the term financing of the re-securitized asset. Under ASC 820-10, the Company has elected to carry securitized debt at fair value. The asset subject to the resecuritization had a fair value of $2.4 million as of June 30, 2013 which is included on the Consolidated Condensed Schedule of Investments under Principal and Interest – Private Label Securities.

(I) 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 To Be Announced MBS ("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. As of June 30, 2013, total assets included $81.0 million of TBAs as well as $571.5 million of receivable for securities sold relating to unsettled TBA sales. As of December 31, 2012, total assets included $43.6 million of TBAs as well as $608.5 million of receivable for securities sold relating to unsettled TBA sales.

As of June 30, 2013, total liabilities included $561.8 million of TBAs sold short as well as $82.1 million of payable for securities purchased relating to unsettled TBA purchases. As of December 31, 2012, total liabilities included $608.7 million of TBAs sold short as well as $43.8 million of payable for securities purchased relating to unsettled TBA purchases. As of June 30, 2013, the Company held on an aggregate basis a short position in TBAs of $480.9 million while at December 31, 2012, the Company held in aggregate a short position in TBAs of $565.1 million.

(J) Offering Costs/Underwriters' Discount: Offering costs and underwriters' discount are charged against shareholders' equity.

(K) LTIP Units: Long term incentive plan units ("LTIP units") have been issued to the Company's dedicated personnel and independent directors as well as the Manager. Costs associated with LTIP units issued to dedicated personnel and independent directors are amortized over the vesting period in accordance with ASC 718-10, Compensation—Stock Compensation. Costs associated with LTIP units issued to the Manager are amortized over the vesting period in accordance with ASC 505-50, Equity-Based Payments to Non-Employees. The vesting period for units issued to dedicated personnel and independent directors under the Ellington Incentive Plan for Individuals (the "Individual LTIP") is typically one year. The vesting period for units issued to the Manager under the Ellington Incentive Plan for Entities (the "Manager LTIP") occurred over a three year period that ended in August 2010. The cost of the Manager LTIP units fluctuated with the price per share until the vesting date, whereas the cost of the Individual LTIP units is based on the price per share at the initial grant date.

(L) Non-controlling interest: Non-controlling interest represents the interest in the Operating Partnership owned by an affiliate of the Manager.

(M) Dividends: Dividends payable by the Company are recorded in the consolidated financial statements on the ex-dividend date. Dividends are typically declared and paid on a quarterly basis in arrears.
(O) Shares Repurchased: Common shares that are repurchased by the Company subsequent to issuance decrease total number of shares outstanding and issued.
(P) 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 long term incentive plan units deemed to be

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participating securities, by the weighted average number of common shares outstanding calculated including long term incentive plan units. Because the Company's long term incentive plan units are deemed to be participating securities, they are included in the calculation of basic and diluted EPS. Operating Partnership Units relating to the non-controlling interest ("OP Units") are convertible into common shares and are included in the calculation of diluted EPS.

(Q) Income Taxes: The Company intends to be 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 on a flow-through basis.

The Company follows the provisions of ASC 740-10, Income Taxes ("ASC 740-10"), 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, based on the technical merits of the position. The Company did not have any additions to its unrecognized tax benefits resulting from tax positions related either to the current period or to 2012, 2011, 2010, or 2009 (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 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 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 ("FASB"), and ongoing analyses of tax laws, regulations and interpretations thereof.

(R) Subsequent Events: The Company applies the provisions of ASC 855-10, Subsequent Events, in the preparation of its consolidated financial statements. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued.

(S) Recent Accounting Pronouncements: In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). This amends ASC 210-20, Balance Sheet Offsetting, to require new disclosures about balance sheet offsetting for derivative and financial instruments which are offset on the Statement of Assets, Liabilities and Equity. The update requires disclosure of gross asset and liability amounts for financial instruments shown net on the Statement of Assets, Liabilities and Equity. ASU 2011-11 is effective for interim and annual periods beginning on or after January 1, 2013 and is to be applied retrospectively.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ("ASU 2013- 01"). The amendment clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASU No. 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements, reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The adoption of ASU 2011-11, as amended by ASU 2013-01, did not have a material impact on the Company's consolidated financial statements.

In June 2013, the FASB issued ASU 2013-08, Financial Services-Investment Companies ("ASC 946"). This update modifies the guidance for ASC 946 for determining whether an entity is an investment company for GAAP purposes. It requires entities that adopted Statement of Position 07-1 prior to its deferral to reassess whether they continue to meet the definition of an investment company for GAAP purposes. The guidance is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013, with retrospective application. Earlier application is prohibited. While Management currently believes that the Company still meets the definition of an investment company under ASC 946, it is still in the process of performing its reassessment.

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3. Valuation

The following is a description of the valuation methodologies used for the Company's financial instruments.

Level 1 valuation methodologies include the observation of quoted prices (unadjusted) for identical assets or liabilities in active markets, often received from widely recognized data providers.

Level 2 valuation methodologies include the observation of (i) quoted prices for similar assets or liabilities in active markets, (ii) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves) in active markets and (iii) quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 valuation methodologies include (i) the solicitation of valuations from third parties (typically, broker-dealers), (ii)the use of proprietary models that require the use of a significant amount of judgment and the application of various assumptions including, but not limited to, prepayment assumptions and default rate assumptions, and (iii) the assessment of observable or reported recent trading activity. The Company utilizes such information to assign a good faith fair value (the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the valuation date) to each such financial instrument.

The Company seeks to obtain at least one third-party indicative valuation for each instrument, and often obtains multiple indicative valuations when available. Third-party valuation providers often utilize proprietary models that are highly subjective and also require the use of a significant amount of judgment and the application of various assumptions including, but not limited to, prepayment assumptions and default rate assumptions. The Company has been able to obtain third-party valuations on the vast majority of the Company's assets and expects to continue to solicit third-party valuations on substantially all assets in the future to the extent practical. Beginning January 1, 2013, the Company 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 on the Company and while the Company generally does not adjust valuations it receives, the Company may challenge or reject a valuation when, based on the validation criteria, the Company determines that such valuation is unreasonable or erroneous. Furthermore, the Company may determine, based on validation criteria, that for a given instrument the average of the third-party valuations received does not result in what the Company believes to be fair value, and in such circumstances the Company may override this average with its own good faith valuation. The validation criteria include the use of the Company's own models, recent trading activity in the same or similar instruments, and valuations received from third parties. Prior to 2013, the valuation process relied more heavily on the use of the Company's models and observation of reported recent trading activity, which was substantiated by third party valuations. The Company's valuation process, including the application of validation criteria, is overseen by the Manager's valuation committee. Because of the inherent uncertainty of valuation, these estimated values 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 consolidated financial statements.

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The table below reflects the value of the Company's Level 1, Level 2, and Level 3 financial instruments at June 30, 2013:

(In thousands)

Description	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$201,795	$—	$—	$201,795
Investments at fair value-				
Agency residential mortgage-backed securities	$—	$914,219	$27,397	$941,616
Private label residential mortgage-backed securities	—	—	694,510	694,510
Private label commercial mortgage-backed securities	—	—	23,906	23,906
Commercial mortgage loans	—	—	7,563	7,563
Other asset-backed securities	—	—	39,840	39,840
Common stock	2,987	—	—	2,987
Total investments at fair value	2,987	914,219	793,216	1,710,422
Financial derivatives-assets at fair value-				
Credit default swaps on asset-backed securities	—	—	21,134	21,134
Credit default swaps on corporate indices	—	127	—	127
Credit default swaps on asset-backed indices	—	9,618	—	9,618
Interest rate swaps	—	15,967	—	15,967
Total return swaps	—	126	—	126
Unrealized appreciation on futures contracts	5	—	—	5
Total financial derivatives-assets at fair value	5	25,838	21,134	46,977
Repurchase agreements	—	41,188	—	41,188
Total investments, financial derivatives-assets at fair value, and repurchase agreements	$2,992	$981,245	$814,350	$1,798,587
Liabilities:				
Investments sold short at fair value-				
U.S. Treasury and Agency residential mortgage-backed securities	$—	$(602,822)	$—	$(602,822)
Common stock	(6,100)	—	—	(6,100)
Total investments sold short at fair value	(6,100)	(602,822)	—	(608,922)
Financial derivatives-liabilities at fair value-				
Credit default swaps on corporate indices	—	(4,236)	—	(4,236)
Credit default swaps on asset-backed indices	—	(13,543)	—	(13,543)
Credit default swaps on asset-backed securities	—	—	(541)	(541)
Interest rate swaps	—	(22)	—	(22)
Total return swaps	—	(118)	—	(118)
Unrealized depreciation on futures contracts	(83)	—	—	(83)
Total financial derivatives-liabilities at fair value	(83)	(17,919)	(541)	(18,543)
Securitized debt	—	—	(1,168)	(1,168)
Total investments sold short, financial derivatives-liabilities at fair value, and securitized debt	$(6,183)	$(620,741)	$(1,709)	$(628,633)

Investments under the Agency residential mortgage-backed securities Level 3 category are investments in Agency interest only RMBS securities. There were no transfers of financial instruments between Level 1, Level 2, or Level 3 during the three or six month period ended June 30, 2013.

The Company's reverse repurchase agreements are carried at cost, which approximates fair value. These liabilities are classified as Level 2 liabilities based on the adequacy of the collateral and their short term nature.

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The following table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of June 30, 2013:

Description	Fair Value as of June 30, 2013 (In thousands)	Valuation Technique	Unobservable Input	Range Min		Max		Weighted Average	
Private label residential mortgage-backed securities and Other asset-backed securities(1)	$678,375	Market Quotes	Non Binding Indicative Price	$29.00		$149.87		$80.52	
Private label residential mortgage-backed securities	54,807	Discounted Cash Flows	Yield	6.1	%	20.8	%	10.4	%
			Projected Collateral Prepayments	0.7	%	57.8	%	32.2	%
			Projected Collateral Losses	4.5	%	48.8	%	20.3	%
			Projected Collateral Recoveries	0.0	%	17.9	%	8.9	%
			Projected Collateral Scheduled Amortization	12.2	%	89.2	%	38.6	%
								100.0	%
Private label commercial mortgage-backed securities	11,717	Discounted Cash Flows	Yield	10.2	%	30.1	%	15.9	%
			Projected Collateral Losses	0.3	%	0.3	%	0.3	%
			Projected Collateral Recoveries	9.3	%	9.3	%	9.3	%
			Projected Collateral Scheduled Amortization	90.4	%	90.4	%	90.4	%
								100.0	%
Credit default swaps on asset-backed securities	20,593	Net Discounted Cash Flows	Projected Collateral Prepayments	19.5	%	55.6	%	26.7	%
				18.0	%	52.3	%	40.1	%

			Projected Collateral Losses						
			Projected Collateral Recoveries	7.3	%	14.6	%	12.7	%
			Projected Collateral Scheduled Amortization	15.6	%	36.6	%	20.5	%
								100.0	%
Private label commercial mortgage-backed securities and Performing commercial mortgage loans	17,202	Market Quotes	Non Binding Indicative Price	$71.35		$100.25		$86.60	
Non-performing commercial mortgage loans	2,550	Discounted Cash Flows	Yield	32.3	%	32.3	%	32.3	%
			Months to Resolution	12		12		12	
Agency interest only residential mortgage-backed securities	22,814	Market Quotes	Non Binding Indicative Price	$6.82		$26.84		$14.54	
Agency interest only residential mortgage-backed securities	4,583	Option Adjusted Spread ("OAS")	LIBOR OAS(2)	462		1,173		639	
			Projected Collateral Prepayments	54.8	%	86.2	%	70.9	%
			Projected Collateral Scheduled Amortization	13.8	%	45.2	%	29.1	%
								100.0	%

(1) Includes securitized debt with a fair value of $1.2 million as of June 30, 2013.
(2) Shown in basis points.

Third-party non-binding indicative prices are validated by comparing such prices to internally generated prices based on the Company's models and to recent trading activity in the same or similar instruments.

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For those instruments valued using discounted and net discounted cash flows, collateral prepayments, losses, recoveries, and scheduled amortization are projected over the remaining life of the collateral and expressed as a percentage of the collateral's current principal balance. Averages are weighted based on the fair value of the related instrument. In the case of credit default swaps on asset-backed securities, averages are weighted based on each instrument's bond equivalent value. Bond equivalent value represents the investment amount of a corresponding position in the reference obligation, calculated as the difference between the outstanding principal balance of the underlying reference obligation and the fair value, inclusive of accrued interest, of the derivative contract. For those assets valued using the LIBOR Option Adjusted Spread ("OAS") valuation methodology, cash flows are projected using the Company's models over multiple interest rate scenarios, and these projected cash flows are then discounted using the LIBOR rates implied by each interest rate scenario. The LIBOR OAS of an asset is then computed as the unique constant yield spread that, when added to all LIBOR rates in each interest rate scenario generated by the model, will equate (a) the expected present value of the projected asset cash flows over all model scenarios to (b) the actual current market price of the asset. LIBOR OAS is therefore model-dependent. Generally speaking, LIBOR OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset. The Company considers the expected timeline to resolution in the determination of fair value for its non-performing commercial loans.

Material changes in any of the inputs above in isolation could result in a significant change to reported fair value measurements. Additionally, fair value measurements are impacted by the interrelationships of these inputs. For example, a higher expectation of collateral prepayments will generally be accompanied by a lower expectation of collateral losses. Conversely, higher losses will generally be accompanied by lower prepayments. Because the Company's credit default swaps on asset-backed security holdings represent credit default swap contracts whereby the Company has purchased credit protection, such default swaps on asset-backed securities generally have the directionally opposite sensitivity to prepayments, losses, and recoveries as compared to the Company's long securities holdings. Prepayments do not represent a significant input for the Company's commercial mortgage-backed securities and commercial mortgage loans. Losses and recoveries do not represent a significant input for the Company's Agency RMBS interest only securities, given the guarantee of the issuing government agency or government-sponsored enterprise.

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The table below reflects the value of the Company's Level 1, Level 2, and Level 3 financial instruments at December 31, 2012:

(In thousands)

Description	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$59,084	$—	$—	$59,084
Investments at fair value-				
Agency residential mortgage-backed securities	$—	$811,233	$6,644	$817,877
Private label residential mortgage-backed securities	—	—	528,366	528,366
Private label commercial mortgage-backed securities	—	—	19,327	19,327
Commercial mortgage loans	—	—	9,546	9,546
Total investments at fair value	—	811,233	563,883	1,375,116
Financial derivatives-assets at fair value-				
Credit default swaps on asset-backed securities	—	—	36,031	36,031
Credit default swaps on asset-backed indices	—	12,468	—	12,468
Interest rate swaps	—	5	—	5
Total financial derivatives-assets at fair value	—	12,473	36,031	48,504
Repurchase agreements	—	13,650	—	13,650
Total investments, financial derivatives-assets at fair value, and repurchase agreements	$—	$837,356	$599,914	$1,437,270
Liabilities:				
Investments sold short at fair value-				
U.S. Treasury and Agency residential mortgage-backed securities	$—	$(622,301)	$—	$(622,301)
Financial derivatives-liabilities at fair value-				
Credit default swaps on corporate indices	—	(484)	—	(484)
Credit default swaps on asset-backed indices	—	(13,468)	—	(13,468)
Credit default swaps on asset-backed securities	—	—	(1)	(1)
Interest rate swaps	—	(1,124)	—	(1,124)
Total return swaps	—	(65)	—	(65)
Unrealized depreciation on futures contracts	(70)	—	—	(70)
Total financial derivatives-liabilities at fair value	(70)	(15,141)	(1)	(15,212)
Securitized debt	—	—	(1,335)	(1,335)
Total investments sold short and financial derivatives-liabilities at fair value	$(70)	$(637,442)	$(1,336)	$(638,848)

Investments under the Agency residential mortgage-backed securities Level 3 category are investments in Agency interest only RMBS securities. There were no transfers of financial instruments between Level 1, Level 2, or Level 3 during the year ended December 31, 2012.

The Company's reverse repurchase agreements are carried at cost, which approximates fair value. These liabilities are classified as Level 2 liabilities based on the adequacy of the collateral and their short term nature.

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The following table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of December 31, 2012:

Description	Fair Value as of December 31, 2012 (In thousands)	Valuation Technique	Unobservable Input	Range Min		Max		Weighted Average	
Private label residential mortgage-backed securities(1)	$ 527,031	Discounted Cash Flows	Yield	2.6	%	29.1	%	7.8	%
			Projected Collateral Prepayments	0.7	%	64.6	%	22.7	%
			Projected Collateral Losses	3.7	%	79.7	%	28.0	%
			Projected Collateral Recoveries	0.0	%	41.0	%	21.4	%
			Projected Collateral Scheduled Amortization	4.1	%	90.4	%	27.9	%
								100.0	%
Credit default swaps on asset-backed securities	36,030	Net Discounted Cash Flows	Projected Collateral Prepayments	8.7	%	44.1	%	18.7	%
			Projected Collateral Losses	20.4	%	57.1	%	37.8	%
			Projected Collateral Recoveries	12.2	%	32.8	%	19.3	%
			Projected Collateral Scheduled Amortization	9.8	%	35.5	%	24.2	%
								100.0	%
Private label commercial mortgage-backed securities and Commercial mortgage loans	28,873	Discounted Cash Flows	Yield	5.2	%	17.9	%	9.5	%
			Projected Collateral Losses	0.0	%	25.1	%	3.9	%
			Projected Collateral Recoveries	0.0	%	88.9	%	20.5	%
			Projected Collateral Scheduled	0.0	%	100.0	%	75.6	%

			Amortization						
								100.0	%
Agency interest only residential mortgage-backed securities	6,644	Option Adjusted Spread ("OAS")	LIBOR OAS (2)	816		7,558		1,189	
			Projected Collateral Prepayments	81.0	%	100.0	%	92.7	%
			Projected Collateral Scheduled Amortization (3)	0.0	%	19.0	%	7.3	%
								100.0	%

(1) Includes securitized debt with a fair value of $1.3 million as of December 31, 2012.
(2) Shown in basis points.
(3) For simplicity of presentation, net negative amortization is disregarded.

For those instruments valued using discounted and net discounted cash flows, collateral prepayments, losses, recoveries, and scheduled amortization are projected over the remaining life of the collateral and expressed as a percentage of the collateral's current principal balance. Averages are weighted based on the fair value of the related instrument. In the case of credit default swaps on asset-backed securities, averages are weighted based on each instrument's bond equivalent value. Bond equivalent value represents the investment amount of a corresponding position in the reference obligation, calculated as the difference between the outstanding principal balance of the underlying reference obligation and the fair value, inclusive of accrued interest, of the derivative contract. For those assets valued using the LIBOR Option Adjusted Spread ("OAS") valuation methodology, cash flows are projected using the Company's models over multiple interest rate scenarios, and these projected cash flows are then discounted using the LIBOR rates implied by each interest rate scenario. The LIBOR OAS of an asset is then computed as the unique constant yield spread that, when added to all LIBOR rates in each interest rate scenario generated by the model, will equate (a) the expected present value of the projected asset cash flows over all model scenarios to (b) the actual current market price of the asset. LIBOR OAS is therefore model-dependent. Generally speaking, LIBOR OAS

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measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.

Material changes in any of the inputs above in isolation could result in a significant change to reported fair value measurements. Additionally, fair value measurements are impacted by the interrelationships of these inputs. For example, a higher expectation of collateral prepayments will generally be accompanied by a lower expectation of collateral losses. Conversely, higher losses will generally be accompanied by lower prepayments. Because the Company's credit default swaps on asset-backed security holdings represent credit default swap contracts whereby the Company has purchased credit protection, such default swaps on asset-backed securities generally have the directionally opposite sensitivity to prepayments, losses, and recoveries as compared to the Company's long securities holdings. Prepayments do not represent a significant input for the Company's commercial mortgage-backed securities and commercial mortgage loans. Losses and recoveries do not represent a significant input for the Company's Agency RMBS interest only securities, given the guarantee of the issuing government agency or government-sponsored enterprise.

The tables below include a roll-forward of the Company's financial instruments for the three and six month periods ended June 30, 2013 and 2012 (including the change in fair value), for financial instruments classified by the Company within Level 3 of the valuation hierarchy.

Level 3—Fair Value Measurement Using Significant Unobservable Inputs:

Three Month Period Ended June 30, 2013

(In thousands)	Beginning Balance as of March 31, 2013	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers In and/or Out of Level 3	Ending Balance as of June 30, 2013
Assets:								
Investments at fair value-								
Agency residential mortgage-backed securities	$16,228	$(1,132)	$—	$ 68	$12,233	$—	$ —	$27,397
Private label residential mortgage-backed securities	557,820	6,471	4,189	(6,636)	184,029	(51,363)	—	694,510
Private label commercial mortgage-backed securities	5,778	41	324	(771)	24,826	(6,292)	—	23,906
Commercial mortgage loans	9,713	19	482	(73)	2,550	(5,128)	—	7,563
Other asset-backed securities	11,638	(68)	531	(820)	36,307	(7,748)	—	39,840
Total investments at fair value	601,177	5,331	5,526	(8,232)	259,945	(70,531)	—	793,216
Financial derivatives-assets at fair value-								
Credit default swaps on asset-backed securities	26,398	—	(542)	1,107	42	(5,871)	—	21,134
	26,398	—	(542)	1,107	42	(5,871)	—	21,134

Total financial derivatives- assets at fair value								
Total investments and financial derivatives-assets at fair value	$627,575	$5,331	$4,984	$ (7,125)	$259,987	$(76,402)	$ —	$814,350
Liabilities:								
Financial derivatives- liabilities at fair value-								
Credit default swaps on asset-backed securities	$(2)	$—	$(29)	$ (540)	$—	$30	$ —	$(541)
Total financial derivatives- liabilities at fair value	(2)	—	(29)	(540)	—	30	—	(541)
Securitized debt:								
Securitized debt	(1,205)	(11)	—	(63)	111	—	—	(1,168)
Total securitized debt	(1,205)	(11)	—	(63)	111	—	—	(1,168)
Total financial derivatives- liabilities at fair value and securitized debt	$(1,207)	$(11)	$(29)	$ (603)	$111	$30	$ —	$(1,709)

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2013, as well as Level 3 financial instruments disposed of by the

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Company during the three month period ended June 30, 2013. For Level 3 financial instruments held by the Company at June 30, 2013, change in net unrealized gain (loss) of $(5.0) million, $1.7 million, $(1.1) million, and $(63.0) thousand, for the three month period ended June 30, 2013 relate to investments, financial derivatives–assets, financial derivatives–liabilities, and securitized debt, respectively.

Level 3—Fair Value Measurement Using Significant Unobservable Inputs:

Three Month Period Ended June 30, 2012

(In thousands)	Beginning Balance as of March 31, 2012	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers In and/or Out of Level 3	Ending Balance as of June 30, 2012
Assets:								
Investments at fair value-								
Agency residential mortgage-backed securities	$6,016	$(553)	$—	$ (796)	$—	$—	$ —	$4,667
Private label residential mortgage-backed securities	408,230	4,914	848	7,475	59,941	(96,349)	—	385,059
Private label commercial mortgage-backed securities	12,171	139	(35)	(404)	21,407	(4,873)	—	28,405
Commercial mortgage loans	4,500	22	—	128	—	—	—	4,650
Total investments at fair value	430,917	4,522	813	6,403	81,348	(101,222)	—	422,781
Financial derivatives- assets at fair value-								
Credit default swaps on asset-backed securities	48,746	—	(734)	1,308	103	(10,664)	—	38,759
Total financial derivatives- assets at fair value	48,746	—	(734)	1,308	103	(10,664)	—	38,759
Total investments and financial derivatives-assets at fair value	$479,663	$4,522	$79	$ 7,711	$81,451	$(111,886)	$ —	$461,540
Liabilities:								
Securitized debt	$(1,485)	$(15)	$—	$ 10	$75	$—	$ —	$(1,415)
Total securitized debt	$(1,485)	$(15)	$—	$ 10	$75	$—	$ —	$(1,415)

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2012, as well as Level 3 financial instruments disposed of by the Company during the three month period ended June 30, 2012. For Level 3 financial instruments held by the Company at June 30, 2012, change in net unrealized gain (loss) of $1.6 million, $1.3 million, and $10.0 thousand, for the three month period ended June 30, 2012 relate to investments, financial derivatives–assets, and securitized debt, respectively.

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Level 3—Fair Value Measurement Using Significant Unobservable Inputs:
Six Month Period Ended June 30, 2013

(In thousands)	Beginning Balance as of December 31, 2012	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers In and/or Out of Level 3	Ending Balance as of June 30, 2013
Assets:								
Investments at fair value-								
Agency residential mortgage-backed securities	$6,644	$(2,003)	$—	$ 306	$22,450	$—	$ —	$27,397
Private label residential mortgage-backed securities	528,366	13,112	19,790	17,383	256,862	(141,003)	—	694,510
Private label commercial mortgage-backed securities	19,327	98	(1,124)	2,473	37,168	(34,036)	—	23,906
Commercial mortgage loans	9,546	27	482	86	2,551	(5,129)	—	7,563
Other asset-backed securities	—	(117)	531	(927)	48,101	(7,748)	—	39,840
Total investments at fair value	563,883	11,117	19,679	19,321	367,132	(187,916)	—	793,216
Financial derivatives- assets at fair value-								
Credit default swaps on asset-backed securities	36,031	—	2,709	(4,492)	91	(13,205)	—	21,134
Total financial derivatives- assets at fair value	36,031	—	2,709	(4,492)	91	(13,205)	—	21,134
Total investments and financial derivatives-assets at fair value	$599,914	$11,117	$22,388	$ 14,829	$367,223	$(201,121)	$ —	$814,350
Liabilities:								
Financial derivatives- liabilities at fair value-								
Credit default swaps on asset-backed securities	$(1)	$—	$(57)	$ (540)	$—	$57	$ —	$(541)
Total financial derivatives- liabilities at fair value	(1)	—	(57)	(540)	—	57	—	(541)

Securitized debt:								
Securitized debt	(1,335)	(20)	—	5	182	—	—	(1,168)
Total securitized debt	(1,335)	(20)	—	5	182	—	—	(1,168)
Total financial derivatives- liabilities at fair value and securitized debt	$(1,336)	$(20)	$(57)	$ (535)	$182	$57	$—	$(1,709)

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2013, as well as Level 3 financial instruments disposed of by the Company during the six month period ended June 30, 2013. For Level 3 financial instruments held by the Company at June 30, 2013, change in net unrealized gain (loss) of $21.5 million, $(9.1) million, $(1.1) million, and $5.0 thousand, for the six month period ended June 30, 2013 relate to investments, financial derivatives–assets, financial derivatives–liabilities, and securitized debt, respectively.

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Level 3—Fair Value Measurement Using Significant Unobservable Inputs:
Six Month Period Ended June 30, 2012

(In thousands)	Beginning Balance as of December 31, 2011	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers In and/or Out of Level 3	Ending Balance as of June 30, 2012
Assets:								
Investments at fair value-								
U.S. Treasury Agency residential mortgage-backed securities	$ 5,337	$ (1,177)	$—	$ (365)	$ 872	$—	$—	$ 4,667
Private label residential mortgage-backed securities	417,533	(9,288)	7,049	25,136	158,618	(232,565)	—	385,059
Private label commercial mortgage-backed securities	16,093	256	309	1,283	22,716	(12,252)	—	28,405
Commercial mortgage loans	4,400	50	—	200	—	—	—	4,650
Total investments at fair value	443,363	8,417	7,358	26,254	182,206	(244,817)	—	422,781
Financial derivatives- assets at fair value -								
Credit default swaps on asset-backed securities	61,498	—	(5,477)	8,107	226	(25,595)	—	38,759
Total financial derivatives- assets at fair value	61,498	—	(5,477)	8,107	226	(25,595)	—	38,759
Total investments and financial derivatives- assets at fair value	$ 504,861	$ 8,417	$ 1,881	$ 34,361	$ 182,432	$ (270,412)	$—	$ 461,540
Liabilities:								
Securitized debt	$ —	$ (29)	$—	$ 21	$ 115	$ (1,522)	$—	$ (1,415)
Total securitized debt	$ —	$ (29)	$—	$ 21	$ 115	$ (1,522)	$—	$ (1,415)

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2012, as well as Level 3 financial instruments disposed of by the Company during the six month period ended June 30, 2012. For Level 3 financial instruments held by the Company at June 30, 2012, change in net unrealized gain (loss) of $11.9 million, $(5.5) million, and $21.0 thousand, for the six month period ended June 30, 2012 relate to investments, financial derivatives–assets, and securitized debt, respectively.

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4. Financial Derivatives
Gains and losses on the Company's derivative contracts for the three and six month periods ended June 30, 2013 and 2012 are summarized in the tables below:
June 30, 2013:

Derivative Type	Primary Risk Exposure	Net Realized Gain/(Loss) for the Three Month Period Ended June 30, 2013	Change in Net Unrealized Gain/(Loss) for the Three Month Period Ended June 30, 2013	Net Realized Gain/(Loss) for the Six Month Period Ended June 30, 2013	Change in Net Unrealized Gain/(Loss) for the Six Month Period Ended June 30, 2013
(In thousands)					
Financial derivatives - assets					
Credit default swaps on asset-backed securities	Credit	$ (542)	$ 1,107	$ 2,709	$ (4,492)
Credit default swaps on asset-backed indices	Credit	(2,634)	3,489	(4,121)	3,514
Credit default swaps on corporate bond indices	Credit	82	(44)	82	(44)
Total return swaps	Equity Market	42	66	4	127
Interest rate swaps	Interest Rates	500	15,583	283	15,962
U.S. Treasury Note futures	Interest Rates	(153)	5	(153)	5
		(2,705)	20,206	(1,196)	15,072
Financial derivatives - liabilities					
Credit default swaps on asset-backed securities	Credit	(29)	(540)	(57)	(540)
Credit default swaps on asset-backed indices	Credit	22	455	200	814
Credit default swaps on corporate bond indices	Credit	(905)	378	(4,532)	200
Total return swaps	Equity Market	(363)	(90)	(395)	(53)
Interest rate swaps	Interest Rates	(325)	1,462	292	1,101
U.S. Treasury Note futures	Interest Rates	(597)	(54)	(597)	(54)
Eurodollar futures	Interest Rates	(25)	20	(47)	42
		(2,222)	1,631	(5,136)	1,510
Total		$ (4,927)	$ 21,837	$ (6,332)	$ 16,582

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June 30, 2012:

Derivative Type	Primary Risk Exposure	Net Realized Gain/(Loss) for the Three Month Period Ended June 30, 2012	Change in Net Unrealized Gain/(Loss) for the Three Month Period Ended June 30, 2012	Net Realized Gain/(Loss) for the Six Month Period Ended June 30, 2012	Change in Net Unrealized Gain/(Loss) for the Six Month Period Ended June 30, 2012
(In thousands)					
Financial derivatives - assets					
Credit default swaps on asset-backed securities	Credit	$ (734)	$ 1,308	$ (5,477)	$ 8,107
Credit default swaps on asset-backed indices	Credit	(1,573)	1,522	(7,066)	(2,268)
Credit default swaps on corporate bond indices	Credit	(12)	602	(1,560)	1,173
Interest rate swaps	Interest Rates	49	(69)	49	(78)
Eurodollar futures	Interest Rates	(9)	—	(17)	(12)
		(2,279)	3,363	(14,071)	6,922
Financial derivatives - liabilities					
Credit default swaps on asset-backed indices	Credit	253	(927)	4,562	(893)
Credit default swaps on corporate bond indices	Credit	301	(66)	304	—
Total return swaps	Equity Market	(1,273)	(4)	(3,328)	21
Interest rate swaps	Interest Rates	(5,548)	562	(15,948)	11,683
Eurodollar futures	Interest Rates	—	(2)	—	(54)
		(6,267)	(437)	(14,410)	10,757
Total		$ (8,546)	$ 2,926	$ (28,481)	$ 17,679

As of June 30, 2013 and December 31, 2012, the Company was a party to credit derivatives contracts in the form of credit default swaps on mortgage/asset-backed indices (ABX and CMBX indices) as well as credit default swaps on corporate bond indices (CDX), collectively referred to as credit indices. For those open credit derivative contracts for which the Company sold credit protection ("written credit derivatives") via credit indices, the Company receives periodic payments at fixed rates from protection buyers, and is obligated to make payments to the protection buyer upon the occurrence of a "credit event" with respect to underlying reference assets. Written credit derivatives held by the Company at June 30, 2013 and December 31, 2012, respectively, are summarized below:

Credit Default Swaps on Asset-Backed Indices	Amount at June 30, 2013	Amount at December 31, 2012
(In thousands)		
Fair Value of Written Credit Derivatives, Net	$(13,351)	$(11,986)
Fair Value of Purchased Credit Derivatives Offsetting Written Credit Derivatives with Third Parties (1)	$126	$(717)
Notional Amount of Written Credit Derivatives (2)	$(48,522)	$(40,216)
Notional Amount of Purchased Credit Derivatives Offsetting Written Credit Derivatives with Third Parties (1)	$4,875	$7,792

(1) Offsetting transactions with third parties include purchased credit derivatives which have the same reference obligation.

(2) The notional value is the maximum amount that a seller of credit indices would be obligated to pay, and a buyer of credit protection would receive upon occurrence of a "credit event." Movements in the value of credit default swap

transactions may require the Company or the counterparty to post or receive collateral. Amounts due or owed under an credit index contract may be offset against amounts due or owed on another credit index contract with the same ISDA counterparty.

Unless terminated by mutual agreement by both the buyer and seller, credit index contracts typically terminate at the date that all of the underlying reference assets are paid off in full, retired, or otherwise cease to exist. Implied credit spreads may be used to determine the market value of swap contracts and are reflective of the cost of buying/selling protection. Higher spreads would indicate a greater likelihood that a seller will be obligated to perform (i.e., make payment) under the swap contract. In situations where the credit quality of the underlying reference assets have deteriorated, the percentage of notional values paid up front ("points up front") is frequently used as an indication of credit index risk. Credit index credit protection sellers entering the market would expect to be paid points up front corresponding to the approximate fair value of the contract in order to write protection on the reference assets underlying the Company's credit index contracts. Periodic payment rates at June 30, 2013 on credit index contracts where the Company wrote protection range between 25 and 500 basis points on contracts that were outstanding at this date. Periodic payment rates at December 31, 2012 on credit index contracts where the Company wrote protection range between 35 and 458 basis points on contracts that were outstanding at this date. Total net up-front payments received relating to credit index contracts outstanding at June 30, 2013 and December 31, 2012 were $14.0 million and $12.6 million, respectively.

5. Base Management Fee and Incentive Fee

We entered into a Management Agreement (which may be amended from time to time), pursuant to which the Manager manages the assets, operations, and affairs of the Company, in consideration of which the Company pays the Manager management and incentive fees. Effective January 1, 2013, the Company and its operating subsidiary entered into a Fourth Amended and Restated Management Agreement with the Manager, which replaces and supersedes the Third Amended and Restated Management Agreement, which was the Management Agreement that became effective August 2, 2011. The Fourth Amended and Restated Management Agreement causes, effective for all fiscal quarters beginning on or after January 1, 2013, base management fees and incentive fees to be calculated at the Operating Partnership level (as opposed to at the Company level). The descriptions of the Base Management Fees and Incentive Fees are detailed below.

Base Management Fees

Periods after January 1, 2013 - The Operating Partnership pays the Manager 1.50% per annum of total equity of the Operating Partnership calculated in accordance with U.S. GAAP as of the end of each fiscal quarter (before deductions for base management fees and incentive fees payable with respect to such fiscal quarter), provided that total equity is adjusted to exclude one-time events pursuant to changes in U.S. GAAP, as well as non-cash charges after discussion between the Manager and the Company's independent directors, and approval by a majority of the Company's independent directors in the case of non-cash charges.

Periods prior to January 1, 2013 - Under the previous management agreement, the Company paid our Manager a base management fee quarterly in arrears in an amount equal to 1.50% per annum of shareholders' equity calculated in accordance with U.S. GAAP as of the end of each fiscal quarter (before deductions for base management fees and incentive fees payable with respect to such fiscal quarter), provided that shareholders' equity is adjusted to exclude one-time events pursuant to changes in U.S. GAAP, as well as non-cash charges after discussion between the Manager and the independent directors, and approval by a majority of the independent directors in the case of non-cash charges.

Summary information—For the three month periods ended June 30, 2013 and 2012, the total base management fee incurred was $2.4 million and $1.5 million, respectively. For the six month periods ended June 30, 2013 and 2012, the total base management fee incurred was $4.4 million and $3.0 million, respectively.

Incentive Fees

Periods after January 1, 2013 - The Manager is entitled to receive a quarterly incentive fee equal to the positive excess, if any, of (i) the product of (A) 25% and (B) the excess of (1) Adjusted Net Income (described below) for the Incentive Calculation Period (which means such fiscal quarter and the immediately preceding three fiscal quarters) over (2) the sum of the Hurdle Amounts (described below) for the Incentive Calculation Period, over (ii) the sum of the incentive fees already paid or payable for each fiscal quarter in the Incentive Calculation Period preceding such fiscal quarter.

For purposes of calculating the incentive fee, "Adjusted Net Income" for the Incentive Calculation Period means the net increase in equity from operations of the Operating Partnership, after all base management fees but before any incentive fees for such period, and excluding any non-cash equity compensation expenses for such period, as reduced by any Loss Carryforward (as described below) as of the end of the fiscal quarter preceding the Incentive Calculation Period.

For purposes of calculating the incentive fee, the "Loss Carryforward" as of the end of any fiscal quarter is calculated by determining the excess, if any, of (1) the Loss Carryforward as of the end of the immediately preceding fiscal quarter over (2) our net increase in equity from operations (expressed as a positive number) or net decrease in equity from operations (expressed as a negative number) of the Operating Partnership for such fiscal quarter. As of June 30, 2013 there was no Loss Carryforward.

For purposes of calculating the incentive fee, the "Hurdle Amount" means, with respect to any fiscal quarter, the product of (i) one-fourth of the greater of (A) 9% and (B) 3% plus the ten-year U.S. Treasury rate for such fiscal quarter, (ii) the sum of

(A) the weighted average gross proceeds per share of all common share and OP unit issuances since inception of the Company and up to the end of such fiscal quarter, with each issuance weighted by both the number of shares and OP units issued in such issuance and the number of days that such issued shares and OP units were outstanding during such fiscal quarter, using a first-in first-out basis of accounting (i.e. attributing any share and OP unit repurchases to the earliest issuances first) and (B) the result obtained by dividing (I) retained earnings attributable to common shares and OP units at the beginning of such fiscal quarter by (II) the average number of common shares and OP units outstanding for each day during such fiscal quarter, (iii) the sum of the average number of common shares, LTIP Units, and OP units outstanding for each day during such fiscal quarter. For purposes of determining the Hurdle Amount, issuances of common shares and OP units (a) as equity incentive awards, (b) to the Manager as part of its base management fee or incentive fee and (c) to the Manager or any of its affiliates in privately negotiated transactions, are excluded from the calculation. The payment of the incentive fee will be in a combination of common shares and cash, provided that at least 10% of any quarterly payment will be made in common shares.

Periods prior to January 1, 2013 - The Manager was entitled to receive a quarterly incentive fee calculated in accordance with the above described calculation except (a) For purposes of calculating the incentive fee, "Adjusted Net Income" for the Incentive Calculation Period means the net increase in shareholders' equity from operations of the Company, after all base management fees but before any incentive fees for such period, and excluding any non-cash equity compensation expenses for such period, as reduced by any Loss Carryforward (as described below) as of the end of the fiscal quarter preceding the Incentive Calculation Period; (b) For purposes of calculating the incentive fee, the "Loss Carryforward" as of the end of any fiscal quarter is calculated by determining the excess, if any, of (1) the Loss Carryforward as of the end of the immediately preceding fiscal quarter over (2) our net increase in shareholders' equity from operations (expressed as a positive number) or net decrease in shareholders' equity from operations (expressed as a negative number) of the Company for such fiscal quarter; and (c) For purposes of calculating the incentive fee, the "Hurdle Amount" means, with respect to any fiscal quarter, the product of (i) one-fourth of the greater of (A) 9% and (B) 3% plus the ten-year U.S. Treasury rate for such fiscal quarter, (ii) the sum of (A) the weighted average gross proceeds per share of all our common share issuances up to the end of such fiscal quarter, with each issuance weighted by both the number of shares issued in such issuance and the number of days that such issued shares were outstanding during such fiscal quarter, using a first-in first-out basis of accounting (i.e. attributing any share repurchases to the earliest issuances first) and (B) the result obtained by dividing (I) retained earnings attributable to our common shares at the beginning of such fiscal quarter by (II) the average number of our common shares outstanding for each day during such fiscal quarter, and (iii) the average number of our common shares and LTIP Units outstanding for each day during such fiscal quarter. For purposes of determining the Hurdle Amount, issuances of common shares (A) as equity incentive awards, (B) to the Manager as part of its base management fee or incentive fee and (C) to the Manager or any of its affiliates in privately negotiated transactions, are excluded from the calculation.

Summary information—Total incentive fee incurred for the three month periods ended June 30, 2013 and 2012 was $1.2 million and $2.3 million, respectively. Total incentive fee incurred for the six month periods ended June 30, 2013 and 2012 was $3.2 million and $2.3 million, respectively.

6. Long-Term Incentive Plan Units

In connection with its initial offering in 2007, the Company established the Manager Long-Term Incentive Plan (the "Manager LTIP") and the Individual Long-Term Incentive Plan (the "Individual LTIP"). Pursuant to the terms of the Manager LTIP, the Company issued 375,000 long-term incentive plan units to its Manager. Pursuant to the terms of the Individual LTIP, each year since inception the Company has issued annual awards to its independent directors and, beginning in 2010, issued awards to certain of its dedicated personnel.

As of August 17, 2010, LTIP units awarded to the Manager were fully vested and expensed. LTIP units held pursuant to the Manager LTIP are generally exercisable by the holder at any time after vesting. Each LTIP unit is convertible into one common share. There is no cash flow effect from the issuance of the Manager LTIP units. Since inception, the aggregate expense associated with the Manager LTIP was $8.6 million.

Since inception, the Company has awarded 24,096 Individual LTIP units to the Company's independent directors and 8,000 Individual LTIP units to certain of its dedicated personnel. The vesting period for awards issued under the

Individual LTIP units has generally been one year from the date of grant. Units held pursuant to the Individual LTIPs are generally exercisable by the holder at any time after vesting. Each unit is convertible into one common share. Costs associated with the Individual LTIPs are measured as of the grant date and expensed ratably over the vesting period. Since inception the total expense associated with the Individual LTIP units awarded is $0.6 million. Total expense associated with Individual LTIPs for the three month periods ended June 30, 2013 and 2012 is $0.04 million and $0.03 million, respectively. Total expense associated with Individual LTIPs for the six month periods ended June 30, 2013 and 2012 are $0.09 million and $0.06 million, respectively. Since inception, 10,000 common shares were issued in connection with the conversion of Individual LTIP units

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awarded to independent directors at the direction of the three award holders and $0.2 million was transferred from the share-based LTIP awards to common shares in shareholders' equity.

Detailed below is a roll-forward of the Company's LTIP units outstanding for the three month periods ended June 30, 2013 and 2012:

	Three Month Period Ended June 30, 2013			Three Month Period Ended June 30, 2012		
	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total
LTIP Units Outstanding (3/31/2013 and 3/31/2012, respectively)	375,000	22,096	397,096	375,000	15,500	390,500
Granted	—	—	—	—	—	—
Exercised	—	—	—	—	—	—
LTIP Units Outstanding (6/30/2013 and 6/30/2012, respectively)	375,000	22,096	397,096	375,000	15,500	390,500
LTIP Units Vested and Outstanding (6/30/2013 and 6/30/2012, respectively)	375,000	14,250	389,250	375,000	8,750	383,750

Detailed below is a roll-forward of the Company's LTIP units outstanding for the six month periods ended June 30, 2013 and 2012:

	Six Month Period Ended June 30, 2013			Six Month Period Ended June 30, 2012		
	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total
LTIP Units Outstanding (12/31/2012 and 12/31/2011, respectively)	375,000	22,096	397,096	375,000	15,500	390,500
Granted	—	—	—	—	—	—
Exercised	—	—	—	—	—	—
LTIP Units Outstanding (6/30/2013 and 6/30/2012, respectively)	375,000	22,096	397,096	375,000	15,500	390,500
LTIP Units Vested and Outstanding (6/30/2013 and 6/30/2012, respectively)	375,000	14,250	389,250	375,000	8,750	383,750

7. Non-controlling Interest - Operating Partnership

Non-controlling interest represents the interest in the Operating Partnership owned by an affiliate of the Manager. On January 1, 2013, 212,000 OP units were issued to the non-controlling interest member. Income allocated to the non-controlling interest is based on the non-controlling member's ownership percentage of the Operating Partnership during the quarter, calculated using a daily weighted average of all common shares and convertible units outstanding during the quarter. Holders of OP units are entitled to receive the same distributions that holders of common shares receive, and OP units are convertible into common shares on a one-for-one basis following the expiration of a two-year holding period subject to additional limitations. OP units are non-voting with respect to matters as to which common shareholders are entitled to vote. As of June 30, 2013, non-controlling interest related to the outstanding 212,000 OP units represented an interest of approximately 1% in the Operating Partnership.

8. Common Share Capitalization

Dividends are declared and paid on a quarterly basis in arrears. During the three month periods ended June 30, 2013 and 2012 the Board of Directors authorized a first quarter dividend of $0.77 per share and $0.70 per share, respectively. During the six month periods ended June 30, 2013 and 2012 the Board of Directors authorized two dividends totaling $2.29 and $1.10 per share, respectively. Total amount of dividends paid during the three month periods ended June 30, 2013 and 2012 was $20.0 million and $11.8 million, respectively. Total amount of dividends paid during the six month periods ended June 30, 2013 and 2012 was $52.0 million and $18.5 million, respectively.

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Detailed below is a roll-forward of the Company's common shares outstanding for the three month periods ended June 30, 2013 and 2012:

	Three Month Period Ended June 30, 2013	Three Month Period Ended June 30, 2012
Common Shares Outstanding (3/31/2013 and 3/31/2012, respectively)	20,403,723	16,447,651
Share Activity:		
Shares issued	5,000,000	—
Shares issued in connection with incentive fee payment	8,288	—
Common Shares Outstanding (6/30/2013 and 6/30/2012, respectively)	25,412,011	16,447,651

Detailed below is a roll-forward of the Company's common shares outstanding for the six month periods ended June 30, 2013 and 2012:

	Six Month Period Ended June 30, 2013	Six Month Period Ended June 30, 2012
Common Shares Outstanding (12/31/2012 and 12/31/2011, respectively)	20,370,469	16,447,651
Share Activity:		
Shares issued	5,000,000	—
Shares issued in connection with incentive fee payment	41,542	—
Common Shares Outstanding (6/30/2013 and 6/30/2012, respectively)	25,412,011	16,447,651

If all LTIP and OP units that have been previously issued were to become fully vested and exchanged for common shares as of June 30, 2013, the Company's issued and outstanding common shares would increase to 26,021,107, resulting in equity per share of $24.51 as of June 30, 2013. If all of the LTIP units that have previously been issued were to become fully vested and exchanged for common shares as of December 31, 2012, the Company's issued and outstanding common shares would increase to 20,767,565 shares, resulting in equity per share of $24.38 as of December 31, 2012.

On August 4, 2011, the Company's Board of Directors approved the adoption of a $10 million share repurchase program. The program, which is open-ended in duration, allows the Company to make repurchases from time to time on the open market or in negotiated transactions. Repurchases are at the Company's discretion, subject to applicable law, share availability, price, and the Company's financial performance, among other considerations. As of June 30, 2013, the Company has repurchased 217,619 shares under its current share repurchase program at an aggregate cost of $4.5 million, or at an average per share price of $20.59.

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9. Earnings Per Share

The components of the computation of basic and diluted EPS were as follows:

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2013	2012	2013	2012
(In thousands except share amounts)				
Net increase in equity resulting from operations	$11,705	$10,768	$52,451	$42,823
Less: Net increase in equity resulting from operations attributable to the non-controlling interest	105	—	516	—
Net increase in shareholders' equity resulting from operations	11,600	10,768	51,935	42,823
Net increase in shareholders' equity resulting from operations available to common share and LTIP unit holders:				
Net increase in shareholders' equity resulting from operations - common shares	11,404	10,518	51,003	41,830
Net increase in shareholders' equity resulting from operations - LTIP units	196	250	932	993
Dividends Paid[1]:				
Common shareholders	(19,567)	(11,513)	(50,581)	(18,092)
LTIP unit holders	(306)	(274)	(910)	(430)
Non-controlling interest	(163)	—	(485)	—
Total dividends paid to common shareholders, LTIP unit holders, and non-controlling interest	(20,036)	(11,787)	(51,976)	(18,522)
Undistributed earnings:				
Common shareholders	(8,163)	(995)	422	23,738
LTIP unit holders	(110)	(24)	22	563
Non-controlling interest	(58)	—	31	—
Total undistributed earnings attributable to common shareholders, LTIP unit holders, and non-controlling interest	$(8,331)	$(1,019)	$475	$24,301
Weighted average shares outstanding (basic and diluted):				
Weighted average common shares outstanding	23,046,550	16,447,651	21,724,721	16,447,651
Weighted average participating LTIP units	397,096	390,500	397,096	390,500
Weighted average non-controlling interest units	212,000	—	212,000	—
Basic earnings per common share:				
Distributed	$0.77	$0.70	$2.29	$1.10
Undistributed	(0.28)	(0.06)	0.06	1.44
	$0.49	$0.64	$2.35	$2.54
Diluted earnings per common share:				
Distributed	$0.77	$0.70	$2.29	$1.10
Undistributed	(0.28)	(0.06)	0.06	1.44
	$0.49	$0.64	$2.35	$2.54

(1) The Company pays quarterly dividends in arrears, so a portion of the dividends paid in each calendar year relate to the prior year's earnings.

10. Counterparty Risk

As of June 30, 2013, investments with an aggregate value of approximately $1.5 billion were held with dealers as collateral for various reverse repurchase agreements.

The following table details the percentage of such collateral held by counterparties who hold greater than 15% of the aggregate $1.5 billion in collateral for various reverse repurchase agreements as of June 30, 2013. In addition to the below, unencumbered investments, on a settlement date basis, of approximately $146.3 million were held in custody at the Bank of New York Mellon Corporation.

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Dealer	% of Total Collateral on Reverse Repurchase Agreements
Deutsche Bank	18%
Guggenheim Capital Markets	18%
Royal Bank of Canada	15%

The following table details the percentage of collateral amounts held by dealers who hold greater than 15% of the Company's Due from Broker, included as of June 30, 2013:

Dealer	% of Total Due from Broker
Morgan Stanley	33%

The following table details the percentage of amounts held by dealers who hold greater than 15% of the Company's Receivable for securities sold as of June 30, 2013:

Dealer	% of Total Receivable for Securities Sold
Royal Bank of Scotland	36%
CS First Boston	30%
Bank of America	17%

11. Offsetting of Assets and Liabilities

The Company records financial instruments at fair value as described in Note 3. All financial instruments are recorded on a gross basis on the Condensed Statement of Assets, Liabilities, and Equity. In connection with its derivative, repurchase and reverse repurchase agreements, and the related trading agreements, the Company and its counterparties are required to pledge collateral. Cash or other collateral is exchanged as required with each of the Company's counterparties in connection with open derivative positions, repurchase agreements, and reverse repurchase agreements.

The following tables present information about certain assets and liabilities representing financial instruments as of June 30, 2013 and December 31, 2012. The Company has not entered into master netting agreements with any of its counterparties.

Description	Amount of Assets (Liabilities) Presented in the Consolidated Statements of Assets, Liabilities, and Equity(1)	Financial Instruments(2)(3)	Cash Collateral (Received) Pledged(3)	Net Amount
(In thousands)				
June 30, 2013:				
Financial derivatives - assets	$46,977			
Financial derivatives - liabilities	(18,543)			
	$28,434	$ —	$(6,150)	$22,284
Repurchase agreements	$41,188			
Reverse repurchase agreements	(1,287,992)			
	$(1,246,804)	$ 1,229,994	$16,810	$—

December 31, 2012: