

Ellington Financial LLC
Form 10-Q
August 08, 2014
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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, 2014

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 filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ..

Accelerated Filer x

Non-Accelerated Filer (Do not check if a smaller reporting company) ..

Smaller Reporting Company ..

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 1, 2014
25,441,750

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, 2014	December 31, 2013
	Expressed in U.S. Dollars	
(In thousands except share amounts)		
ASSETS		
Cash and cash equivalents	\$ 145,032	\$ 183,489
Investments, financial derivatives, and repurchase agreements:		
Investments, at fair value (Cost – \$1,693,248 and \$1,688,257)	1,753,832	1,730,130
Financial derivatives–assets, at fair value (Net cost – \$54,200 and \$50,533)	59,470	59,664
Repurchase agreements (Cost – \$30,537 and \$27,943)	30,537	27,962
Total investments, financial derivatives, and repurchase agreements	1,843,839	1,817,756
Due from brokers	109,863	82,571
Receivable for securities sold	813,166	883,005
Interest and principal receivable	7,618	6,831
Other assets	1,709	1,546
Total Assets	\$2,921,227	\$2,975,198
LIABILITIES		
Investments and financial derivatives:		
Investments sold short, at fair value (Proceeds – \$846,217 and \$847,602)	\$852,846	\$845,614
Financial derivatives–liabilities, at fair value (Net proceeds – \$28,981 and \$29,746)	48,378	44,791
Total investments and financial derivatives	901,224	890,405
Reverse repurchase agreements	1,188,831	1,236,166
Due to brokers	27,479	19,762
Payable for securities purchased	164,792	193,047
Securitized debt (Proceeds – \$906 and \$980)	925	983
Accounts payable and accrued expenses	2,209	1,810
Base management fee payable	2,368	2,364
Incentive fee payable	—	3,091
Interest and dividends payable	2,276	1,521
Total Liabilities	2,290,104	2,349,149
EQUITY	631,123	626,049
TOTAL LIABILITIES AND EQUITY	\$2,921,227	\$2,975,198
ANALYSIS OF EQUITY:		
Common shares, no par value, 100,000,000 shares authorized; (25,441,750 and 25,428,186 shares issued and outstanding)	\$614,862	\$611,282
Additional paid-in capital – LTIP units	9,245	9,119
Total Shareholders' Equity	624,107	620,401
Non-controlling interests	7,016	5,648
Total Equity	\$631,123	\$626,049
PER SHARE INFORMATION:		
Common shares	\$24.53	\$24.40

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

AT JUNE 30, 2014

(UNAUDITED)

Current Principal Description	Rate	Maturity	Fair Value
(In thousands)			Expressed in U.S. Dollars
Long Investments (277.89%) (a) (w) (y) (z)			
Mortgage-Backed Securities (255.12%)			
Agency Securities (173.68%) (b)			
Fixed Rate Agency Securities (166.43%)			
Principal and Interest - Fixed Rate Agency Securities (142.75%)			
\$26,584 Federal National Mortgage Association Pool	3.50%	10/42	\$ 27,404
17,479 Federal National Mortgage Association Pool	4.00%	11/43	18,630
15,629 Federal National Mortgage Association Pool	4.00%	11/43	16,641
14,885 Federal National Mortgage Association Pool	5.00%	8/41	16,562
12,868 Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	13,705
12,461 Federal Home Loan Mortgage Corporation Pool	4.50%	1/44	13,652
11,924 Federal National Mortgage Association Pool	5.00%	3/41	13,387
10,359 Federal National Mortgage Association Pool	4.50%	10/43	11,237
9,780 Federal National Mortgage Association Pool	4.00%	6/44	10,430
9,116 Federal National Mortgage Association Pool	4.50%	2/44	9,923
9,263 Federal Home Loan Mortgage Corporation Pool	4.00%	7/43	9,824
9,036 Federal National Mortgage Association Pool	4.00%	8/43	9,609
6,736 Federal National Mortgage Association Pool	5.00%	3/44	7,561
7,190 Federal National Mortgage Association Pool	3.50%	11/42	7,424
6,969 Federal National Mortgage Association Pool	3.50%	3/28	7,408
6,664 Federal National Mortgage Association Pool	4.50%	10/43	7,255
6,583 Federal Home Loan Mortgage Corporation Pool	4.50%	2/44	7,211
6,871 Federal National Mortgage Association Pool	3.50%	6/43	7,084
6,587 Federal National Mortgage Association Pool	4.50%	4/26	7,002
6,242 Federal National Mortgage Association Pool	4.00%	7/44	6,643
5,690 Federal National Mortgage Association Pool	5.50%	10/39	6,369
5,673 Federal National Mortgage Association Pool	4.50%	2/44	6,224
5,832 Federal National Mortgage Association Pool	4.00%	8/43	6,219
5,835 Federal National Mortgage Association Pool	4.00%	8/43	6,205
5,826 Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	6,199
5,733 Federal Home Loan Mortgage Corporation Pool	4.00%	1/44	6,100
5,518 Government National Mortgage Association Pool	4.46%	2/63	6,075
5,409 Federal National Mortgage Association Pool	5.00%	3/44	6,071
5,648 Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	5,994
5,371 Federal National Mortgage Association Pool	5.00%	10/43	5,993
5,358 Government National Mortgage Association Pool	4.54%	11/62	5,899
5,884 Federal Home Loan Mortgage Corporation Pool	3.00%	1/43	5,829
5,462 Federal National Mortgage Association Pool	4.00%	6/44	5,818
5,459 Federal National Mortgage Association Pool	4.00%	5/44	5,809
5,461 Federal National Mortgage Association Pool	3.50%	12/28	5,803

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

AT JUNE 30, 2014 (CONTINUED)

(UNAUDITED)

Current Principal Description	Rate	Maturity	Fair Value	
(In thousands)			Expressed in U.S. Dollars	
Principal and Interest - Fixed Rate Agency Securities (142.75%) (continued)				
\$5,457	Federal Home Loan Mortgage Corporation Pool	3.50%	5/29	\$ 5,785
5,244	Government National Mortgage Association Pool	4.60%	6/62	5,759
5,294	Federal National Mortgage Association Pool	4.50%	11/43	5,748
5,136	Federal National Mortgage Association Pool	4.50%	12/43	5,632
5,174	Government National Mortgage Association Pool	4.63%	6/61	5,625
5,171	Federal National Mortgage Association Pool	4.00%	6/44	5,494
5,089	Federal National Mortgage Association Pool	4.00%	5/44	5,424
4,945	Federal National Mortgage Association Pool	4.50%	6/44	5,378
4,982	Federal National Mortgage Association Pool	4.00%	1/44	5,314
4,861	Federal National Mortgage Association Pool	4.00%	1/43	5,169
4,706	Federal National Mortgage Association Pool	4.50%	1/44	5,161
4,514	Federal National Mortgage Association Pool	5.00%	1/44	5,035
4,708	Federal National Mortgage Association Pool	4.00%	4/44	5,017
4,544	Federal Home Loan Mortgage Corporation Pool	4.50%	10/43	4,974
4,472	Federal National Mortgage Association Pool	4.50%	2/44	4,882
4,429	Federal National Mortgage Association Pool	4.50%	10/43	4,856
4,446	Federal National Mortgage Association Pool	4.50%	5/44	4,841
4,528	Federal Home Loan Mortgage Corporation Pool	4.00%	2/44	4,824
4,442	Federal National Mortgage Association Pool	4.50%	8/43	4,823
4,537	Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	4,817
4,477	Federal National Mortgage Association Pool	4.00%	4/42	4,760
4,446	Federal National Mortgage Association Pool	3.50%	5/29	4,721
4,284	Government National Mortgage Association Pool	4.75%	1/61	4,628
4,277	Federal National Mortgage Association Pool	4.00%	7/26	4,546
4,030	Federal National Mortgage Association Pool	5.00%	10/43	4,502
4,111	Federal National Mortgage Association Pool	4.50%	3/44	4,488
4,195	Federal National Mortgage Association Pool	4.00%	11/43	4,471
4,156	Federal National Mortgage Association Pool	4.00%	6/44	4,422
4,005	Federal National Mortgage Association Pool	4.50%	4/44	4,352
4,097	Federal Home Loan Mortgage Corporation Pool	3.50%	2/29	4,343
3,952	Government National Mortgage Association Pool	4.69%	7/61	4,311
3,837	Federal National Mortgage Association Pool	5.00%	10/43	4,299
4,183	Federal Home Loan Mortgage Corporation Pool	3.50%	6/43	4,284
3,783	Federal National Mortgage Association Pool	5.00%	1/44	4,273
3,827	Federal National Mortgage Association Pool	5.00%	11/40	4,265
3,826	Federal National Mortgage Association Pool	5.00%	11/43	4,257
3,868	Federal National Mortgage Association Pool	4.00%	11/33	4,165
3,898	Federal Home Loan Mortgage Corporation Pool	4.00%	10/43	4,138
3,812	Government National Mortgage Association Pool	4.80%	2/61	4,128
3,687	Federal National Mortgage Association Pool	5.00%	10/43	4,119

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2014 (CONTINUED)
(UNAUDITED)

Current Principal Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars	
(In thousands)				
Principal and Interest - Fixed Rate Agency Securities (142.75%) (continued)				
\$3,694	Federal National Mortgage Association Pool	4.50%	9/43	\$ 4,036
3,650	Federal Home Loan Mortgage Corporation Pool	4.50%	6/44	3,955
3,565	Federal National Mortgage Association Pool	4.50%	12/43	3,910
3,638	Federal National Mortgage Association Pool	4.00%	5/44	3,880
3,571	Federal National Mortgage Association Pool	3.50%	6/29	3,796
3,564	Federal National Mortgage Association Pool	4.00%	8/43	3,790
3,412	Government National Mortgage Association Pool	4.66%	1/63	3,780
3,776	Federal National Mortgage Association Pool	3.00%	3/43	3,736
3,467	Federal National Mortgage Association Pool	4.00%	8/43	3,687
3,375	Federal National Mortgage Association Pool	4.50%	10/43	3,673
3,485	Federal Home Loan Mortgage Corporation Pool	3.00%	3/28	3,617
3,643	Federal National Mortgage Association Pool	3.00%	2/43	3,607
3,283	Government National Mortgage Association Pool	4.67%	10/61	3,589
3,248	Federal National Mortgage Association Pool	4.50%	10/43	3,542
3,014	Federal National Mortgage Association Pool	5.00%	10/35	3,406
3,035	Federal National Mortgage Association Pool	5.00%	12/40	3,392
3,271	Federal National Mortgage Association Pool	3.50%	1/43	3,373
3,275	Federal Home Loan Mortgage Corporation Pool	3.00%	6/28	3,366
3,159	Federal Home Loan Mortgage Corporation Pool	4.00%	5/44	3,363
3,071	Government National Mortgage Association Pool	4.68%	10/61	3,354
2,959	Federal National Mortgage Association Pool	5.00%	11/43	3,343
3,139	Federal Home Loan Mortgage Corporation Pool	4.00%	4/44	3,341
3,008	Government National Mortgage Association Pool	5.54%	2/60	3,304
3,099	Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	3,300
2,974	Federal Home Loan Mortgage Corporation Pool	4.50%	9/43	3,260
3,063	Federal National Mortgage Association Pool	4.00%	6/26	3,259
3,050	Federal National Mortgage Association Pool	4.00%	6/44	3,244
3,016	Federal National Mortgage Association Pool	4.00%	12/33	3,243
2,966	Federal National Mortgage Association Pool	4.50%	4/42	3,223
2,907	Federal National Mortgage Association Pool	4.50%	5/44	3,179
2,973	Federal National Mortgage Association Pool	3.50%	11/28	3,160
154,289	Other Federal National Mortgage Association Pools	3.00% - 6.00%	9/28 - 7/44	166,581
99,122	Other Federal Home Loan Mortgage Corporation Pools	3.00% - 6.00%	9/28 - 7/44	105,423
8,213	Other Government National Mortgage Association Pools	4.49% - 4.68%	11/61-11/62	9,021
				900,962

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2014 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Interest Only - Fixed Rate Agency Securities (2.39%)				
\$73,382	Other Federal National Mortgage Association	3.00% - 5.50%	12/20 - 6/43	\$ 9,693
26,278	Other Federal Home Loan Mortgage Corporation	3.00% - 5.50%	12/32 - 1/43	3,856
9,752	Other Government National Mortgage Association	3.00% - 4.75%	7/40 - 11/42	1,550
				15,099
TBA - Fixed Rate Agency Securities (21.29%)				
102,718	Federal National Mortgage Association (30 Year)	3.00%	7/14	101,482
33,320	Federal Home Loan Mortgage Corporation (30 Year)	3.00%	7/14	32,865
				134,347
Total Fixed Rate Agency Securities (Cost \$1,036,869)				1,050,408
Floating Rate Agency Securities (7.25%)				
Principal and Interest - Floating Rate Agency Securities (3.90%)				
5,695	Federal Home Loan Mortgage Corporation Pool	3.22%	2/44	5,884
5,087	Federal Home Loan Mortgage Corporation Pool	4.92%	4/38	5,431
7,574	Other Federal National Mortgage Association Pools	4.73% - 6.05%	9/35 - 9/37	8,091
4,921	Other Federal Home Loan Mortgage Corporation Pools	3.32% - 5.90%	6/37 - 5/44	5,186
				24,592
Interest Only - Floating Rate Agency Securities (3.35%)				
118,995	Other Government National Mortgage Association	1.65% - 6.60%	11/42 - 8/63	12,674
23,544	Other Federal National Mortgage Association	5.50% - 6.60%	8/36 - 7/43	4,248
16,178	Other Federal Home Loan Mortgage Corporation	5.85% - 6.55%	11/38 - 8/39	1,951
21,851	Resecuritization of Government National Mortgage Association (x)	4.35%	8/60	2,268
				21,141
Total Floating Rate Agency Securities (Cost \$44,292)				45,733
Total Agency Securities (Cost \$1,081,161)				1,096,141

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2014 (CONTINUED)
(UNAUDITED)

Current Principal/ Notional Value/ Number of Properties	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Private Label Securities (81.44%)				
Principal and Interest - Private Label Securities (80.74%)				
\$803,591	Various	0% - 12.25%	6/17 - 12/48	\$ 509,540
Total Principal and Interest - Private Label Securities (Cost \$465,617)				509,540
Principal Only - Private Label Securities (0.51%)				
5,800	Various	—%	8/30	3,190
Total Principal Only - Private Label Securities (Cost \$2,605)				3,190
Interest Only - Private Label Securities (0.19%)				
48,811	Various	0.50% - 2.00%	6/44 - 9/47	1,219
Total Interest Only - Private Label Securities (Cost \$485)				1,219
Other Private Label Securities (0.00%)				
119,812	Various	—%	6/37 - 6/47	—
Total Other Private Label Securities (Cost \$325)				—
Total Private Label Securities (Cost \$469,032)				513,949
Total Mortgage-Backed Securities (Cost \$1,550,193)				1,610,090
Other Asset-Backed Securities (12.88%)				
93,569	Various	0% - 9.72%	5/17 - 4/22	81,315
Total Other Asset-Backed Securities (Cost \$81,949)				81,315
Commercial Mortgage Loans (5.93%) (u)				
41,726	Various	0% - 8.42%	6/14 - 12/16	37,415
Total Commercial Mortgage Loans (Cost \$37,031)				37,415
Residential Mortgage Loans (3.70%)				
33,368	Various	—%	2/18 - 5/54	23,371
Total Residential Mortgage Loans (Cost \$22,417)				23,371
Real Estate Owned (0.26%) (v)				
13	Single-Family Houses			1,641
Total Real Estate Owned (Cost \$1,658)				1,641
Total Long Investments (Cost \$1,693,248)				\$ 1,753,832
Repurchase Agreements (4.84%) (a) (c) (y) (z)				
\$25,568	Deutsche Bank Securities Collateralized by Par Value \$22,062 European Sovereign Bond, Coupon 3.75%, Maturity Date 10/18	0.05%	7/14	\$25,568
4,969	Pierpont Securities LLC Collateralized by Par Value \$5,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 10/18	0.08%	7/14	4,969

Total Repurchase Agreements (Cost \$30,537)

\$30,537

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ELLINGTON FINANCIAL LLC
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
 AT JUNE 30, 2014 (CONTINUED)
 (UNAUDITED)

Current Principal/ Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Investments Sold Short (-135.13%) (a) (y) (z)				
TBA - Fixed Rate Agency Securities Sold Short (-126.39%) (d)				
\$ (191,468	) Federal National Mortgage Association (30 year)	4.00%	7/14	\$ (203,188)
(159,912	) Federal National Mortgage Association (30 year)	3.50%	7/14	(164,616)
(88,650	) Federal National Mortgage Association (30 year)	5.00%	7/14	(98,443)
(62,350	) Federal National Mortgage Association (15 year)	3.50%	7/14	(66,081)
(58,860	) Federal National Mortgage Association (30 year)	4.50%	7/14	(63,744)
(49,337	) Federal Home Loan Mortgage Corporation (30 year)	4.00%	7/14	(52,247)
(24,500	) Federal Home Loan Mortgage Corporation (15 year)	3.50%	7/14	(25,897)
(22,900	) Federal National Mortgage Association (30 year)	4.50%	8/14	(24,744)
(22,700	) Federal Home Loan Mortgage Corporation (30 year)	4.00%	8/14	(23,973)
(18,740	) Federal Home Loan Mortgage Corporation (30 year)	4.50%	7/14	(20,280)
(9,870	) Federal National Mortgage Association (15 year)	4.00%	7/14	(10,482)
(10,060	) Federal National Mortgage Association (15 year)	3.00%	7/14	(10,450)
(6,700	) Federal National Mortgage Association (30 year)	5.50%	7/14	(7,503)
(5,500	) Federal National Mortgage Association (15 year)	2.50%	7/14	(5,587)
(4,700	) Federal Home Loan Mortgage Corporation (30 year)	5.00%	7/14	(5,202)
(4,300	) Federal Home Loan Mortgage Corporation (30 year)	4.50%	8/14	(4,643)
(4,100	) Federal Home Loan Mortgage Corporation (15 year)	3.00%	7/14	(4,250)
(3,050	) Other Federal Home Loan Mortgage Corporation (30 year)	3.50% - 5.50%	7/14	(3,251)
(1,850	) Other Federal National Mortgage Association (30 year)	4.00%	8/14	(1,957)
(1,100	) Other Federal Home Loan Mortgage Corporation (15 year)	4.00%	7/14	(1,167)
Total TBA - Fixed Rate Agency Securities Sold Short (Proceeds -\$792,172)				(797,705)
Government Debt Sold Short (-4.66%)				
(22,062	) European Sovereign Bonds	3.75%	10/18	(24,457)
(5,000	) U.S. Treasury Note	1.25%	10/18	(4,961)
Total Government Debt Sold Short (Proceeds -\$28,120)				(29,418)
Common Stock Sold Short (-4.08%)				
(2,387	) Publicly Traded Real Estate Investment Trusts			(25,723)
Total Common Stock Sold Short (Proceeds -\$25,925)				(25,723)
Total Investments Sold Short (Proceeds -\$846,217)				\$ (852,846)

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT JUNE 30, 2014 (CONTINUED)
(UNAUDITED)

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value
(In thousands)				Fair Value Expressed in U.S.Dollars
Financial Derivatives—Assets (9.42%) (a) (y) (z)				
Swaps (9.28%)				
Long Swaps:				
Credit Default Swaps on Corporate Bond Indices (Cost - \$21,431) (e)	Credit	\$ 112,278	12/18	\$ 21,682
Credit Default Swaps on Asset-Backed Indices (Proceeds -\$217) (e)	Credit	1,858	12/37	61
Interest Rate Swaps (f)	Interest Rates	613,340	6/17 - 5/44	11,520
Total Return Swaps (i)	Equity Market	2,262	6/15	21
Short Swaps:				
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(20,524	) 9/34 - 5/36	14,162
Credit Default Swaps on Asset-Backed Indices (g)	Credit	(56,146	) 5/46 - 5/63	3,203
Interest Rate Swaps (h)	Interest Rates	(569,511	) 2/16 - 6/29	7,902
Total Return Swaps (i)	Equity Market	(2,693	) 9/15 - 5/16	3
Total Swaps (Net cost \$54,200)				58,554
Futures (0.03%)				
Long Futures:				
U.S. Treasury Note Futures (k)	Interest Rates	33,700	9/14	200
Eurodollar Futures (j)	Interest Rates	4,000	9/14 - 12/14	—
Short Futures:				
Eurodollar Futures (j)	Interest Rates	(15,000	) 3/17	2
Total Futures				202
Options (0.10%)				
Purchased Options:				
Receiver Swaption (p)	Interest Rates	25,000	10/14	2
Written Options:				
Straddle Swaption (r)	Interest Rates	(37,000	) 5/16	168
Payer Swaption (o)	Interest Rates	(17,300	) 1/17	492
Total Options				662
Forwards (0.01%)				
Long Forwards:				
Currency Forwards (s)	Currency	8,640	9/14	52
Total Forwards				52
Total Financial Derivatives—Assets (Net cost \$54,200)				\$ 59,470

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	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value	
(In thousands)					
Financial Derivatives—Liabilities (-7.66%) (a) (y)					
(z)					
Swaps (-7.45%)					
Long Swaps:					
Credit Default Swaps on Asset-Backed Indices (Proceeds - \$6,002) (e)	Credit	\$ 15,905	12/49 - 10/52	\$ (4,359)
Credit Default Swaps on Corporate Bond Indices (Proceeds - \$1,200) (e)	Credit	3,756	12/17	(982)
Credit Default Swaps on Corporate Bonds (Proceeds - \$2,062) (e)	Credit	4,395	6/19	(2,287)
Interest Rate Swaps (f)	Interest Rates	20,300	10/18 - 7/24	(23)
Total Return Swaps (i)	Equity Market	29,244	6/15	(1)
Short Swaps:					
Interest Rate Swaps (h)	Interest Rates	(548,630	) 3/15 - 5/44	(12,753)
Credit Default Swaps on Asset-Backed Indices (g)	Credit	(16,000	) 1/47 - 5/63	(321)
Credit Default Swaps on Corporate Bond Indices (g)	Credit	(271,561	) 12/16 - 6/19	(25,901)
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(3,000	) 3/35	(350)
Total Return Swaps (i)	Equity Market	(10,757	) 9/14 - 9/15	(43)
Total Swaps (Net proceeds -\$28,894)				(47,020)
Futures (-0.05%)					
Short Futures:					
Eurodollar Futures (j)	Interest Rates	(748,000	) 3/15 - 12/16	(323)
U.S. Treasury Note Futures (l)	Interest Rates	(17,600	) 9/14	(15)
Total Futures				(338)
Options (-0.11%)					
Purchased Options:					
Payer Swaption (n)	Interest Rates	8,300	1/17	(486)
Straddle Swaption (q)	Interest Rates	30,000	5/19	(144)
Written Options:					
Options on Credit Default Swaps on Corporate Bond Indices (m)	Credit	(20,790	) 9/14	(76)
Total Options (Proceeds -\$87)				(706)
Forwards (-0.05%)					
Short Forwards:					
Currency Forwards (t)	Currency	(40,900	) 9/14	(314)
Total Forwards				(314)
Total Financial Derivatives—Liabilities (Net proceeds -\$28,981)				\$ (48,378)

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
 AT JUNE 30, 2014 (CONTINUED)
 (UNAUDITED)

- (a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
 At June 30, 2014, 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 116.25%, 45.39%, and 12.04% of equity, respectively.
- (b) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.
- (c) At June 30, 2014, the Company's short investments guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation represented 104.06% and 22.33% of equity, respectively.
- (d) For long credit default swaps, the Company sold protection.
- (e) For long interest rate swap contracts, a floating rate is being paid and a fixed rate is being received.
- (f) For short credit default swaps, the Company purchased protection.
- (g) For short interest rate swap contracts, a fixed rate is being paid and a floating rate is being received.
- (h) Notional value represents number of underlying shares or par value times the closing price of the underlying security.
- (i) Every \$1,000,000 in notional value represents one contract.
- (j) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of June 30, 2014, 337 contracts were held.
- (k) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of June 30, 2014, 88 contracts were held.
- (l) Represents the option on the part of a counterparty to enter into a credit default swap on a corporate bond index whereby the Company would receive a fixed rate and pay credit protection payments.
- (m) Represents the option on the part of the Company to enter into an interest rate swap whereby the Company would pay a fixed rate and receive a floating rate.
- (n) Represents the option on the part of a counterparty to enter into an interest rate swap with the Company whereby the Company would receive a fixed rate and pay a floating rate.
- (o) Represents the option on the part of the Company to enter into an interest rate swap with the Company whereby the Company would receive a fixed rate and pay a floating rate.
- (p) Represents the combination of a purchased payer swaption and a purchased receiver swaption on the same underlying swap.
- (q) Represents the combination of a written payer swaption and a written receiver swaption on the same underlying swap.
- (r) Notional amount represents U.S. Dollars to be paid by the Company at the maturity of the forward contract.
- (s) Notional amount represents U.S. Dollars to be received by the Company at the maturity of the forward contract.
- (t) Includes non-performing commercial loans in the amount of \$17.1 million whereby principal and/or interest is past due and a maturity date is not applicable.
- (u) Number of properties not shown in thousands, represents actual number of properties owned.
 The table below shows the Company's long investment ratings from Moody's, Standard and Poor's, or Fitch, as well as the Company's long investments that were unrated but guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association.
- (v) 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	173.68	%

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A/A/A	0.03	%
Baa/BBB/BBB	3.57	%
Ba/BB/BB or below	83.28	%
Unrated	17.33	%

(x) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.

(y) Classification percentages are based on Total Equity.

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
 AT JUNE 30, 2014 (CONCLUDED)
 (UNAUDITED)

The following table details the breakout by geographical region of long investments, investments sold short, (z)repurchase agreements, and financial derivatives–assets. All financial derivatives–liabilities were concentrated in North America.

Region	Current Principal/ Notional Value/Number of Shares/Number of Properties	Cost/(Proceeds)	Fair Value	Percent of Equity	
Long Investments: (In thousands, Expressed in U.S. Dollars)					
North America	2,396,102	\$1,661,026	\$1,720,243	272.57	%
Europe	37,672	32,222	33,589	5.32	%
Total	2,433,774	\$1,693,248	\$1,753,832	277.89	%
Investments Sold Short:					
North America (TBAs and Government Debt)	(755,647	) \$(797,149	) \$(802,666	) (127.18)%
Europe (Government Debt)	(22,062	) (23,143	) (24,457	) (3.88)%
North America (Common Stock)	(2,387	) (25,925	) (25,723	) (4.08)%
Total		\$(846,217	) \$(852,846	) (135.13)%
Repurchase Agreements:					
North America	4,969	\$4,969	\$4,969	0.79	%
Europe	25,568	25,568	25,568	4.05	%
Total	30,537	\$30,537	\$30,537	4.84	%
Financial Derivatives–Assets:					
North America	92,115	\$54,200	\$59,458	9.42	%
Europe	(9,211	) —	12	—	%
Total	82,904	\$54,200	\$59,470	9.42	%

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT DECEMBER 31, 2013
(UNAUDITED)

Current Principal Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
(In thousands)			
Long Investments (276.36%) (a) (s) (u) (v)			
Mortgage-Backed Securities (262.62%)			
Agency Securities (164.58%) (b)			
Fixed Rate Agency Securities (156.28%)			
Principal and Interest—Fixed Rate Agency Securities (137.75%)			
\$38,439 Federal National Mortgage Association Pool	3.50%	1/43	\$ 37,742
27,523 Federal National Mortgage Association Pool	3.50%	10/42	27,407
17,735 Federal National Mortgage Association Pool	4.00%	11/43	18,327
18,267 Federal Home Loan Mortgage Corporation Pool	3.00%	4/43	17,322
15,538 Federal National Mortgage Association Pool	5.00%	8/41	16,910
16,572 Federal National Mortgage Association Pool	3.00%	6/28	16,729
15,759 Federal National Mortgage Association Pool	4.00%	11/43	16,279
15,017 Federal National Mortgage Association Pool	4.50%	10/41	15,958
14,835 Federal National Mortgage Association Pool	4.50%	9/41	15,743
13,367 Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	13,783
12,686			