

The Fed’s decision to start tapering in the second half of 2021, as expected, impacted mortgage rates and expanded the opportunities to acquire Jumbo Whole Loans (“WL”) at the highest relative value levels to MBS and Treasuries since the early part of 2021.

Chart 1: Asset Yields\* (%)

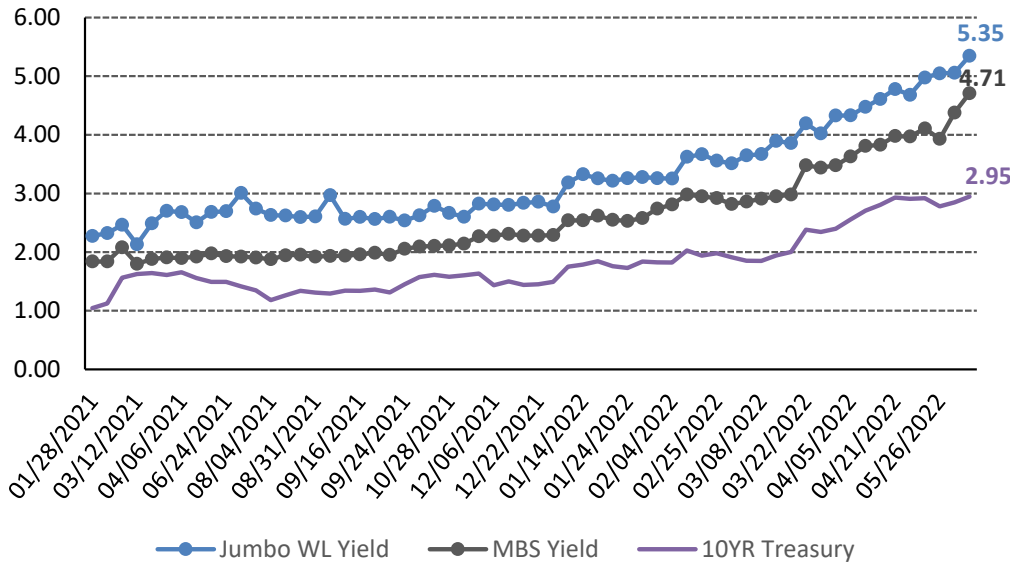
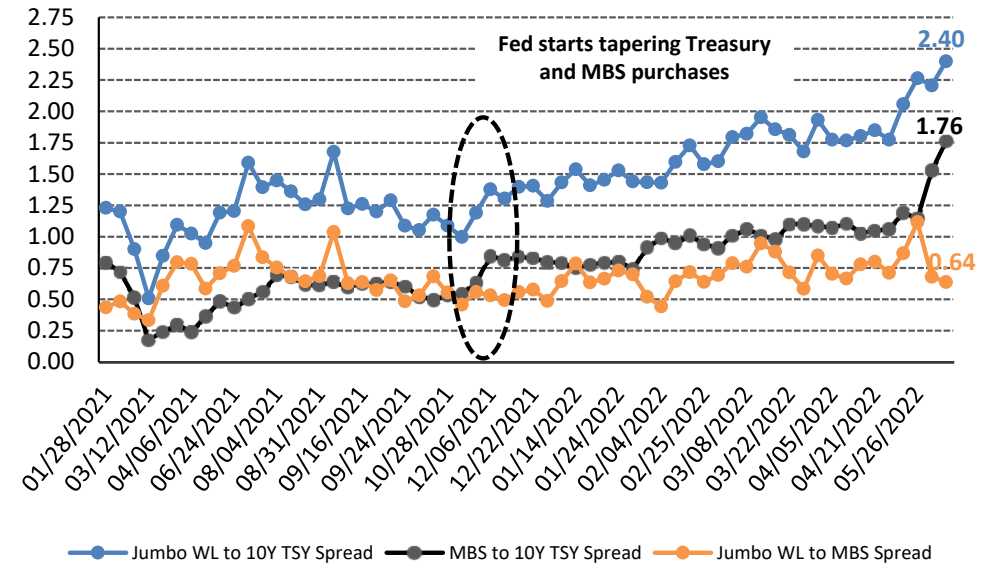


Chart 2: Recent Spreads (%)



- Jumbo Whole Loan yields have steadily increased since Nov’21 (see Chart1), **creating more opportunity to earn higher returns on excess liquidity** versus other fixed income alternatives. Opportunity to acquire jumbo whole loans at current or higher yields should continue over the next several months as the coupons on closed loans (i.e. available to be sold) continue to catch up to current coupons.
- The spread of Jumbo Whole Loan to the blended 10Y Treasury rate has widened by 140bps as the Fed began its taper of MBS purchases (see Chart 2, blue line).
- The spread of the Current Coupon Mortgage-Backed Security (UMBS) to the blended 10Y Treasury rate has widened by 122bps as the Fed began its taper of MBS purchases (see Chart 2, black line).
- The Jumbo Whole Loan to MBS spread has widened by 19bps since the beginning of Feb’22, making acquiring Prime Jumbo Whole Loans cheap compared to acquiring MBS (see Chart 2, orange line).



Sources: Bloomberg, Falcon Bridge Capital. \*Jumbo WL Yield is net of fees. Yields based on jumbo WL trades via FBC.

Jessica Huang  
 CFO & Investor Relations  
 Falcon Bridge Capital, LLC  
 1999 Harrison Street, Suite 1575  
 Oakland, CA 94612  
 Office: 925.289.7602  
 jhuang@falconbridgecapital.com  
 Website: [www.falconbridgecapital.com](http://www.falconbridgecapital.com)

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