



**JMP Securities Financial Services and Real Estate Conference**

**September 21, 2015**

**OAKS  
LISTED  
NYSE**

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This presentation includes “forward-looking statements” within the meaning of the U.S. securities laws that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. You can identify forward-looking statements by use of words such as “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions or other comparable terms, or by discussions of strategy, plans or intentions. Statements regarding the following subjects, among others, may be forward-looking: the return on equity; the yield on investments; the ability to borrow to finance assets; and risks associated with investing in real estate assets, including changes in business conditions and the general economy. Forward-looking statements are based on our beliefs, assumptions and expectations of its future performance, taking into account all information currently available to us. Actual results may differ from expectations, estimates and projections and, consequently, you should not rely on these forward looking statements as predictions of future events. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. Additional information concerning these and other risk factors are contained in our most recent filings with the Securities and Exchange Commission, which are available on the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov).

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**Five Oaks Investment Corp. (NYSE: OAKS and OAKS PrA), together with its subsidiaries, is a specialty finance company focused on investing in mortgage and other real estate-related assets, particularly residential mortgage loans and mortgage-backed securities. By taking advantage of opportunities arising from the increasing need for private capital in the U.S. mortgage market, we seek to provide attractive cash flow returns over time to our investors, and to generate income through our mortgage loan acquisition and securitization business. For tax purposes, Five Oaks Investment Corp. is structured as a real estate investment trust (“REIT”); it is externally managed by Oak Circle Capital Partners LLC.**

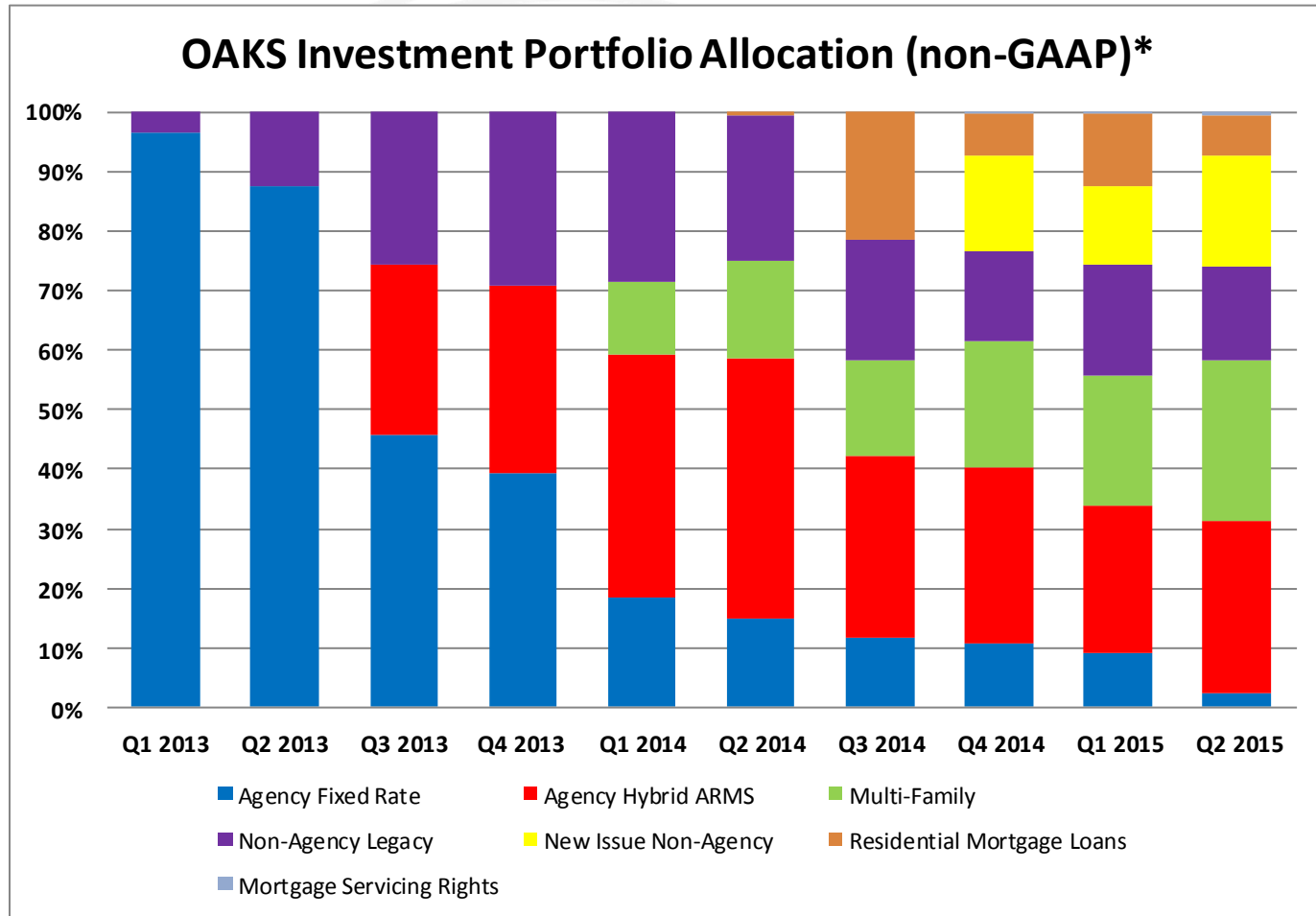
**In practice, this means:**

- ❖ We believe the reintroduction of private capital into the U.S. mortgage market is a large, long-term opportunity.**
- ❖ We are a specialty finance company focused on the prime jumbo segment of this opportunity.**
- ❖ We have a fully integrated platform to organically create high yield credit assets for the company’s balance sheet with limited interest rate sensitivity**

# OAKS – Transition To A Credit Operating Platform



## WHOLESALE SHIFT IN PORTFOLIO COMPOSITION SINCE IPO IN MARCH 2013



\*We contributed \$378,153,188 in loans to two prime jumbo securitizations in the 4th quarter of 2014.

## INTEREST RATE MARKETS DOMINATED BY THE FEDERAL RESERVE

- ❖ Significant volatility with limited visibility on Fed rate hike
- ❖ Caution exercised in making key investment decisions ahead of the September 17 announcement

## FOR FIVE OAKS THE BIGGER NEWS HAS BEEN IN THE CREDIT MARKETS

- ❖ Given previously highlighted portfolio transition, credit markets now more important
- ❖ Since May (Greece, China, equity market de-risking...) credit spreads have widened\*
- ❖ IG Corporate and LCF AAA CMBS spreads are approx. 35-40% wider from tights\*
- ❖ BBB CMBS spreads now at widest level since Jan. 1, 2015 +35% from tights\*

*During and after Q2 2015 Five Oaks has adopted a more defensive posture :*

*Selectively selling credit, lowering leverage and increasing cash*

\*Source: Bank of America Merrill Lynch

## **Established a Five Oaks Proprietary Securitization Program**

- ❖ Priced and settled \$267mm Oaks Mortgage Trust Series 2015-1 in April
  - ❖ Five Oaks retained the B Notes, IOs and Excess Servicing Rights
  - ❖ Achieved an attractive mid-teen levered return on the package including the Excess Servicing Rights
- ❖ Created over \$600mm in negative duration Excess Servicing Rights
- ❖ Anticipate a second Five Oaks shelf transaction during Q4 2015

## **Expanded the Five Oaks Prime Jumbo Flow Correspondent Lending Program**

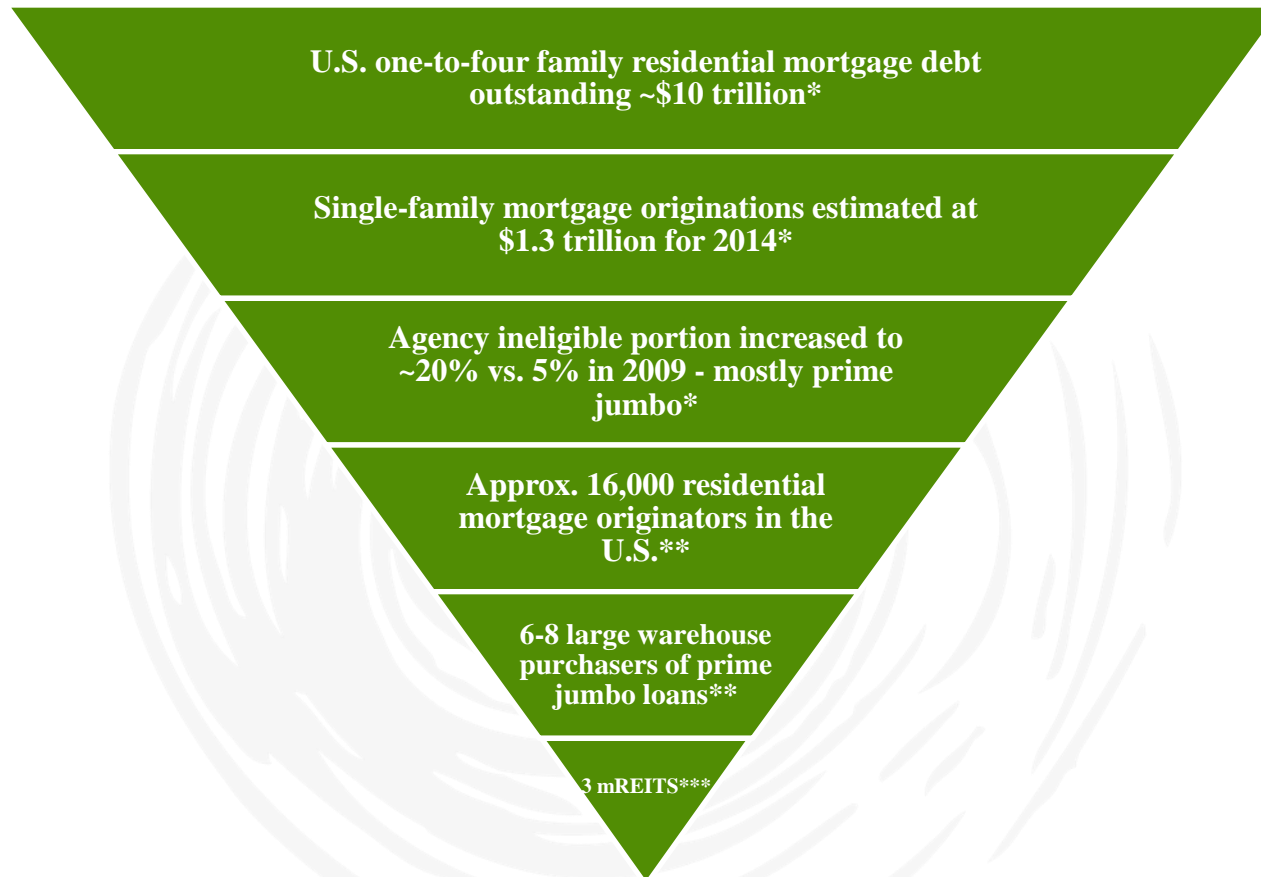
- ❖ Increased the number of approved correspondents to 146 as of September 18, 2015

## **Federal Home Loan Bank Membership**

- ❖ Five Oaks Insurance LLC became a member of the FHLB which we anticipate will improve our funding of Prime Jumbo Loans and certain new issue Non-Agency securities

*OAKS has transitioned to a credit operating platform to create attractive interest rate insensitive investments*

# Prime Jumbo Loan Opportunity



*Five Oaks sees a large long-term growth opportunity within the prime jumbo space for institutions with the ability to efficiently aggregate, finance, securitize and retain residential mortgage credit risk*

\*Sources: Federal Reserve, Fannie Mae, Freddie Mac

\*\*Company estimates

\*\*\*3 mortgage REITs with fully integrated aggregation/securitization platforms and FHLB funding

## RESIDENTIAL MORTGAGE AGGREGATION AND SECURITIZATION PLATFORM

- ➔ **Licensing:** Process began in 2013; currently licensed (or exempt) to purchase and sell loans and/or servicing in 49 states
- ➔ **Warehouse Capacity:** Total capacity of \$375 million; FHLBI facility for prime jumbo in late stage discussions
- ➔ **Customers:** Flow correspondents, mini-bulk and bulk purchases
- ➔ **Internal infrastructure:** Dedicated internal loan team from correspondent relations through loan closing
- ➔ **External counterparty management:** Third party due diligence, rating agencies, Wall St. dealers

## SECURITIZATION ACTIVITY TO-DATE\*

- ➔ **JPMMT 2014-OAK4:** \$355.6 million, closed October 9, 2014. 29.8% of loan pool contributed by Five Oaks
- ➔ **CSMC Trust 2014-OAK1:** \$272.1 million, closed December 23, 2014. 100% of loan pool contributed by Five Oaks
- ➔ **Oaks Mortgage Trust 2015-1:** \$267.2 million, closed April 30, 2015. 100% of loan pool contributed by Five Oaks.
- ➔ **Oaks Mortgage Trust 2015-2:** expected Q4 2015.

*Building and running a fully integrated platform not only takes time and money, but lengthy experience of managing an operating company*



# Illustrative ROE for Securitization Investments\*



<b>Average Yield</b>	6.40%	(Range from high 4% to mid 13%)
<b>Cost of Funds</b>	1.20%	(Range from ~1% to 2%)
<b>Net Interest Margin</b>	5.20%	
<b>Leverage</b>	1.7x	(Range from ~1x to ~3x)
<b>ROE</b>	15.3%	

Capital invested approximately \$8mm per transaction

<b>Slice</b>	<b>Rating</b>	<b>Leverage</b>	<b>Levered Return</b>
MSR	NR	0.0	9.90
<u>IO</u>	<u>AAA</u>	<u>2.3</u>	<u>24.34</u>
B1	AA	3.0	12.97
B2	A	3.0	15.08
B3	BBB	3.0	16.80
B4	BB	1.0	13.60
B5	NR	0.0	13.45

*A fully integrated aggregation/securitization platform allows Five Oaks to generate an investment package comprising subordinated securities, MSRs and IOs with a mid-teen return and limited rate sensitivity*

\*The gross ROEs shown herein are not a reliable indicator of past or future performance. Actual returns will be reduced by any applicable management fees and other expenses, which in the aggregate may be substantial. Actual returns may also vary if actual prepayment rates differ from those modeled.

*The prospective benefits of expected lower cost FHLBI funding should allow Five Oaks to generate a higher net interest margin on prime jumbo mortgage loans with lower leverage and consequently a lower risk profile*

## Comparing warehouse financing with FHLBI financing for prime jumbo loans\*

<b>Asset Yield</b>	4.10%	<b>Asset Yield</b>	4.10%
<b>Cost of Funds</b>	3.00% (L+275bps)	<b>Cost of Funds</b>	0.30% (L+5bps)
<b>Net Interest Margin</b>	1.10%	<b>Net Interest Margin</b>	3.80%
<b>Leverage</b>	9x	<b>Leverage</b>	4x
<b>ROE*</b>	14.0%	<b>ROE**</b>	19.3%

\*Before hedging costs

\*\*Before hedging costs and finalization of FHLBI documentation. Leverage excludes purchase of FHLBI stock. These metrics are shown for illustrative purposes only and the terms and characteristics of any individual transaction may differ from those presented herein.

## SHORT TERM OUTLOOK

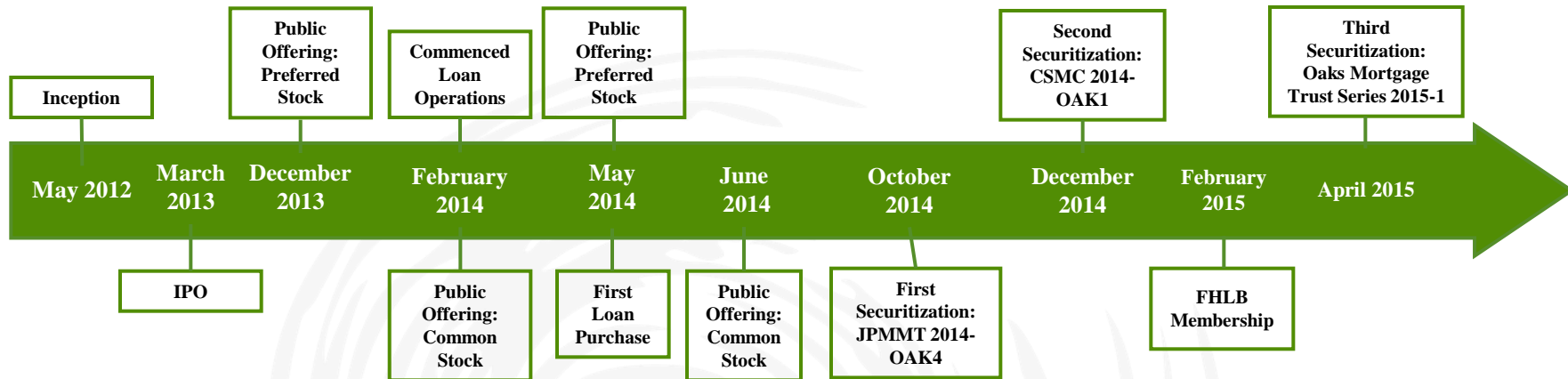
- ➔ DEFENSIVE POSTURE IN Q3 – LEVERAGE REDUCED, CASH INCREASED
- ➔ CREDIT SPREAD WIDENING SINCE JUNE 2015
- ➔ SHORT-TERM BOOK VALUE IMPACT BUT IMPROVED REINVESTMENT OPPORTUNITIES
- ➔ FOCUS ON STABILITY AND LIQUIDITY AHEAD OF ABSOLUTE RETURN

## LONG TERM FOCUS

- ➔ REINTRODUCTION OF PRIVATE CAPITAL INTO MORTGAGE MARKET IS KEY THEME
- ➔ PRIVATE LABEL RMBS GROWTH REMAINS FITFUL BUT LONG-RUN LARGE OPPORTUNITY
- ➔ BUILDING AND OPERATING FULLY INTEGRATED PLATFORM TAKES TIME & MONEY
- ➔ WHEN THE MARKET TAKES OFF THE WINNERS WILL ALREADY BE “IN THE GAME”

***FIVE OAKS BELIEVES THAT IN THE LONG RUN THE MARKET SHOULD AWARD A PREMIUM VALUATION TO AN OPERATING COMPANY ACTIVE IN THE RESIDENTIAL MORTGAGE BUSINESS***

# Annex 1: The Five Oaks Companies – Timeline



## **Five Oaks Investment Corp. is a publicly traded REIT listed on the NYSE (“OAKS”)**

- ❖ XL Group plc (NYSE: “XL”) currently owns approximately 22% of OAKS at current capitalization
- ❖ Core management team has been together over 12 years, previously running other large operating and lending businesses
- ❖ OAKS is externally managed and advised by Oak Circle Capital Partners LLC
  - ❖ Five Oaks Acquisition Corp. is a Delaware corporation that acquires closed prime jumbo mortgage loans for securitization.
  - ❖ Five Oaks Insurance LLC is a Michigan-licensed insurance company which has achieved FHLB membership.

*OAKS is a well diversified mortgage REIT with a proven management capable of building scalable businesses*

## David Carroll – Chief Executive Officer, President and Chairman of the Board

- Ivy Square Ltd.: President (2008-2012)
- Ceres Capital Partners LLC: Co-founder (1999-2008)
- Morgan Stanley: Director (1986-1999)
- Cargill Inc: Trader (1984-1986)
- B.A. University of Virginia; M.B.A. Duke University Fuqua School of Business

## David Oston – Chief Financial Officer, Treasurer and Secretary

- Ivy Square Ltd.: Managing Director (2008 – 2012)
- Ceres Capital Partners LLC: Portfolio Manager (2002 – 2008)
- Natexis Banques Populaires: CFO, New York Branch (2000 – 2001); Head of Specialty Finance (1990 – 2000)
- Various credit-related roles at ANZ/Grindlays and Banque Bruxelles Lambert
- B.A., M.A., Economic Geography, Cambridge University, England

## Paul Chong, CFA – Chief Investment Officer

- Ivy Square Ltd.: Portfolio Manager (2008 – 2011)
- Ceres Capital Partners LLC: Portfolio Manager (2004 – 2008)
- Financial Consultant, Arthur Anderson
- Credit Analyst, Bank of America
- B.Bus., Nanyang Technological University in Singapore, M.B.A., Duke University Fuqua School of Business
- C.F.A. holder

## Darren Comisso – Managing Director of Business Development

- Tandem Global Partners (2008-2011)
- Ceres Capital Partners LLC: Co-founder (1999 – 2008)
- Bank of America: Vice President (1992 – 1999)
- B.A. Economics, University of California in Los Angeles

## Tom Flynn – Managing Director of Economic and Counterparty Risk

- Ivy Square Ltd.: Managing Director (2008 – 2011)
- Ceres Capital Partners LLC: Managing Director (2001 – 2008)
- Morgan Stanley: Head of Global Banking and Finance Credit Research (1985 – 2000)
- B.S.B.A., Georgetown University, M.B.A., Babson College

## David Akre – Managing Director of Loan Aggregation

- Whole Loan Capital, LLC: Principal (2009 – 2013)
- New York Mortgage Trust: Co-CEO, Vice Chairman, co-Founder (2003 – 2009)
- Thornburg Mortgage, Inc.: Vice President, Capital Markets, Bulk Acquisitions and Secondary Marketing (1997- 2003)
- B.S., United States Merchant Marine Academy, Kings Point, New York

# Annex 3: Five Oaks Securitizations – Key Metrics\*



Transaction Name	JPMMT 2014-OAK4	CSMC Trust 2014-OAK1	Oaks Mortgage Trust Series 2015-1
Closing Date	October 9, 2014	December 23, 2014	April 30, 2015
Total Deal Balance (\$)	\$355,640,627	\$272,140,731	\$267,187,616
Equity (%)	9.9%	8.45%	8.45%
Ratings	S&P, Kroll, DBRS	S&P, DBRS	Moody's, Fitch
WA Gross Coupon (%)	30 Year: 4.417%	30 Year: 4.236%	30 Year: 4.153%
		15 Year: 3.586%	25 Year: 4.250%
Five Oaks Loans % of Total Deal Balance	29.8%	100%	100%
Dealers	J.P. Morgan, Bank of America Merrill Lynch	Credit Suisse, Wells Fargo Securities	Barclays, Morgan Stanley
<b>Five Oaks Loan Pool Characteristics</b>			
Avg. Loan Bal (\$)	\$768,000	\$698,000	\$697,618
WA FICO	756	770	766
WA DTI (%)	31.9%	31.4%	32.6%
WA LTV (%)	68.9%	68.8%	69.2%
WA CLTV (%)	69.6%	69.2%	69.9%
WA Liquid / Cash Reserves (\$)	\$271,292	\$385,904	\$301,359
WA Monthly Income (\$)	\$31,104	\$29,288	\$24,256

\* Information regarding JPMMT 2014-OAK4, CSMC Trust 2014-OAK1, and Oaks Mortgage Trust Series 2015-1 in the following chart has been compiled from publicly available information published by the rating agencies identified in the chart.