

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report: March 4, 2019

**Two Harbors Investment Corp.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**001-34506**  
(Commission  
File Number)

**27-0312904**  
(I.R.S. Employer  
Identification No.)

**575 Lexington Avenue, Suite 2930**  
**New York, NY 10022**

(Address of principal executive offices)  
(Zip Code)

Registrant's telephone number, including area code: **(612) 629-2500**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

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

**Item 7.01 Regulation FD.**

An investor presentation providing a business overview of Two Harbors Investment Corp. is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report, including Exhibit 99.1 attached hereto, is furnished pursuant to Item 7.01 of Form 8-K and shall not be deemed to be “filed” for any other purpose, including for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 7.01 of this Current Report, including Exhibit 99.1, shall not be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings (unless the registrant specifically states that the information or exhibit in this Item 7.01 is incorporated by reference).

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**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#"><u>Fourth Quarter 2018 Investor Presentation</u></a>

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TWO HARBORS INVESTMENT CORP.

By: /s/ REBECCA B. SANDBERG  
Rebecca B. Sandberg  
General Counsel and Secretary

Date: March 4, 2019



TWO HARBORS INVESTMENT CORP.

# A Leading Residential Hybrid Mortgage REIT

Fourth Quarter 2018  
Investor Presentation



**TWO HARBORS**  
Investment Corp.

A Pine River Capital Managed Company

# Safe Harbor Statement

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## FORWARD-LOOKING STATEMENTS

This presentation includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as “expect,” “target,” “assume,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believe,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our Annual Report on Form 10-K for the year ended December 31, 2018, and any subsequent Quarterly Reports on Form 10-Q, under the caption “Risk Factors.” Factors that could cause actual results to differ include, but are not limited to: the state of credit markets and general economic conditions; changes in interest rates and the market value of our assets; changes in prepayment rates of mortgages underlying our target assets; the rates of default or decreased recovery on the mortgages underlying our target assets; the occurrence, extent and timing of credit losses within our portfolio; the concentration of credit risks we are exposed to; declines in home prices; our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio; the availability and cost of our target assets; the availability and cost of financing; changes in the competitive landscape within our industry; our ability to effectively execute and to realize the benefits of strategic transactions and initiatives we have pursued or may in the future pursue; our ability to manage various operational risks and costs associated with our business; interruptions in or impairments to our communications and information technology systems; our ability to acquire mortgage servicing rights (MSR) and successfully operate our seller-servicer subsidiary and oversee our subservicers; the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; the impact of new or modified government mortgage refinance or principal reduction programs; our ability to maintain our REIT qualification; and limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Two Harbors does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Two Harbors’ most recent filings with the Securities and Exchange Commission (SEC). All subsequent written and oral forward-looking statements concerning Two Harbors or matters attributable to Two Harbors or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

This presentation may include industry and market data obtained through research, surveys, and studies conducted by third parties and industry publications. We have not independently verified any such market and industry data from third-party sources. This presentation is provided for discussion purposes only and may not be relied upon as legal or investment advice, nor is it intended to be inclusive of all the risks and uncertainties that should be considered. This presentation does not constitute an offer to purchase or sell any securities, nor shall it be construed to be indicative of the terms of an offer that the parties or their respective affiliates would accept.

Readers are advised that the financial information in this presentation is based on company data available at the time of this presentation and, in certain circumstances, may not have been audited by the company’s independent auditors.



## LEADING RESIDENTIAL HYBRID MORTGAGE REIT



## KEY DIFFERENTIATING FACTORS

- ✓ Strategy of pairing MSR with Agency RMBS
- ✓ Utilize variety of instruments to hedge interest rate exposure
- ✓ Unique portfolio of legacy non-Agency securities

1) Except as otherwise indicated in this presentation, reported data is as of or for the period ended December 31, 2018.

2) Assets in "Rates" include Agency RMBS, MSR and other interest rate sensitive assets. Assets in "Credit" include non-Agency securities and other credit sensitive assets.

3) Two Harbors' total stockholder return calculated for the period October 29, 2009 through December 31, 2018. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

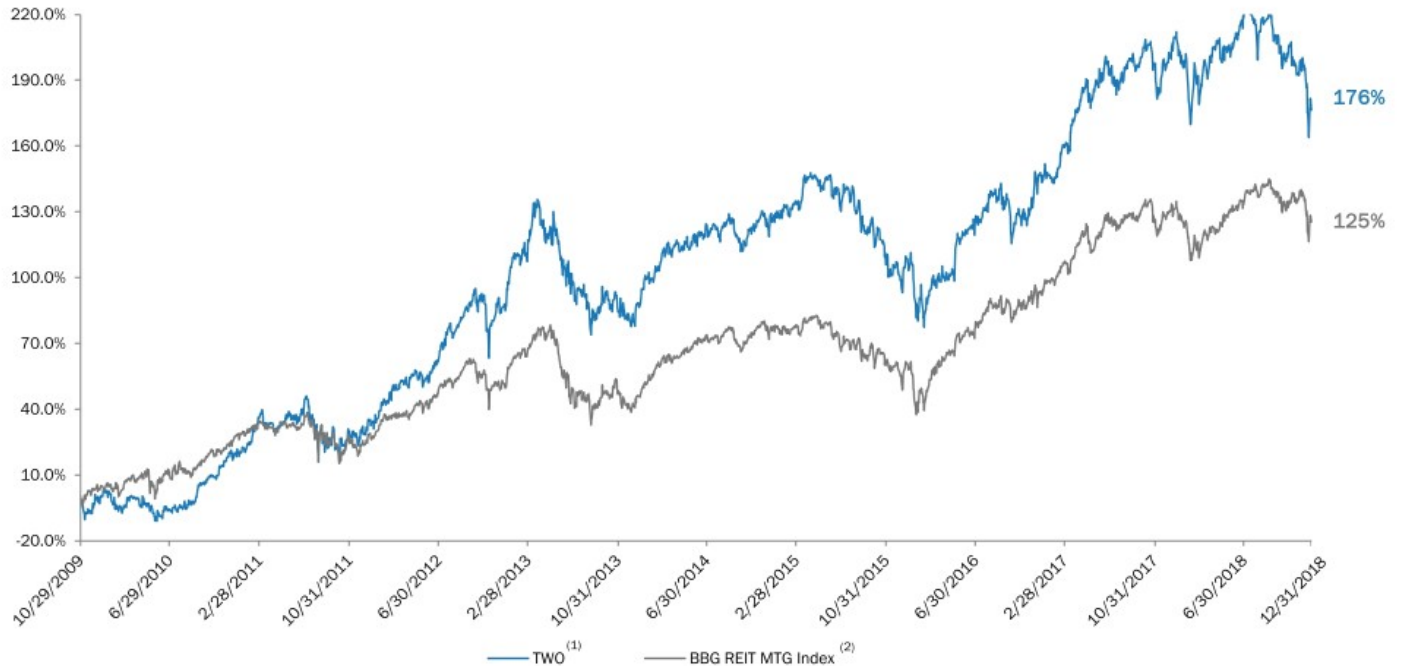
4) Book value growth and volatility since our inception is measured from December 31, 2009 or the peer company's inception, whichever is later, through December 31, 2018. Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include \$1.88 of stock distributions associated with the special dividend of Silver Bay Realty Trust ("Silver Bay") and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point Mortgage Trust Inc. ("Granite Point") common stock. Peer mortgage REITs include AGNC, ANH, ARR, CIM, CMO, IVR, MFA, MITT, NLY and NYMT. Peer book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period. Book value volatility calculated by dividing the standard deviation of book values in the measured period by the average book value from the measured period.



# Substantial Total Stockholder Return Outperformance



- Outperformed peer group by over 50% since our inception
- Delivered total stockholder return of 176% during that time<sup>(1)</sup>
  - Bloomberg REIT Mortgage Index total stockholder return of 125% over the same period of time<sup>(2)</sup>



1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through December 31, 2018. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

2) Bloomberg REIT Mortgage Index total stockholder return for the period October 29, 2009 through December 31, 2018. The Bloomberg REIT Mortgage Index tracks publicly traded REITs whose principal business consists of originating, servicing or investing in residential mortgage interests. The index uses a modified market capitalization weighted methodology, and components are reviewed quarterly for eligibility. Source: Bloomberg.

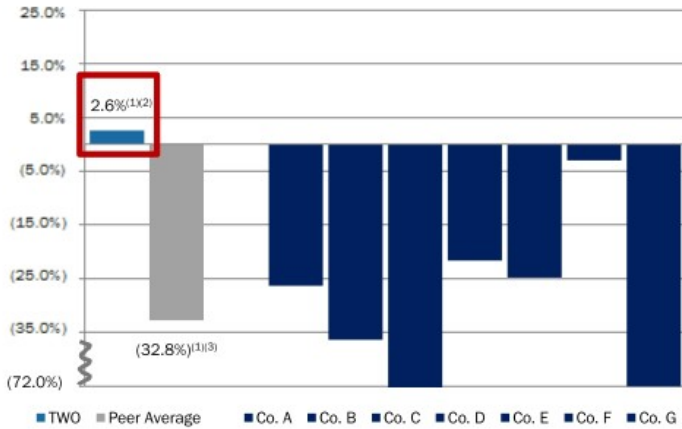




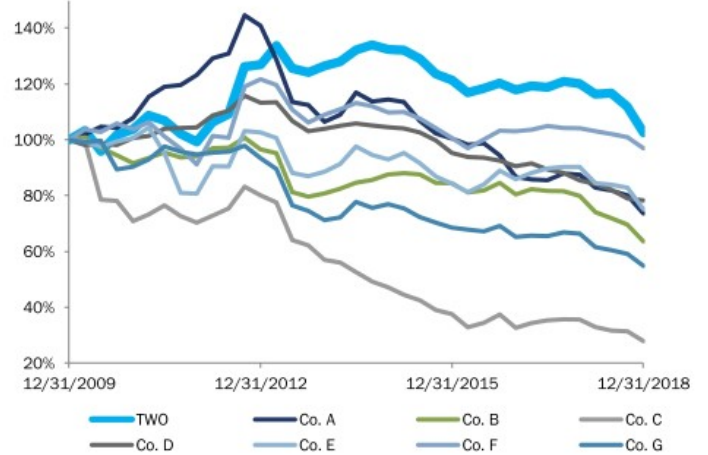
# Book Value Stability Since Inception

- We have grown our book value by 2.6% since our inception in 2009<sup>(1)(2)</sup>
- Peer average over same time period was (32.8%)<sup>(1)(3)</sup>
- 25% lower book value volatility since inception compared to mortgage REIT average<sup>(4)</sup>

## BOOK VALUE GROWTH<sup>(1)(3)</sup>



## BOOK VALUE OUTPERFORMANCE<sup>(1)(3)</sup>



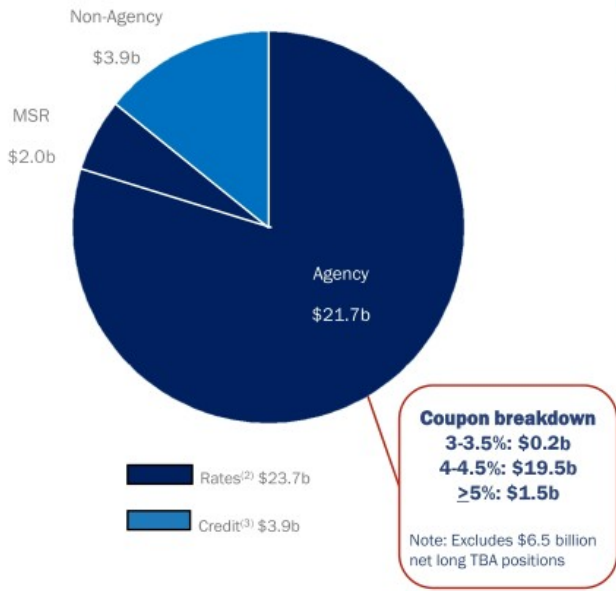
1) Book value growth and outperformance since our inception is measured from 12/31/2009 through 12/31/2018.  
 2) Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include \$1.88 of stock distributions associated with the special dividend of Silver Bay common stock and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point common stock.  
 3) Companies A-G and peer average represent comparable mortgage REIT peers. Peer average book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period.  
 4) Book value volatility since our inception is measured from December 31, 2009 or the peer company's inception, whichever is later, through December 31, 2018. Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include \$1.88 of stock distributions associated with the special dividend of Silver Bay Realty Trust ("Silver Bay") and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point Mortgage Trust Inc. ("Granite Point") common stock. Peer mortgage REITs include AGNC, ANH, ARR, CIM, CMO, IVR, MFA, MITT, NLY and NYMT. Peer book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period. Book value volatility calculated by dividing the standard deviation of book values in the measured period by the average book value from the measured period.

# Fourth Quarter 2018 Portfolio Composition



## PORTFOLIO COMPOSITION<sup>(1)</sup>

\$27.6 BILLION PORTFOLIO AS OF DECEMBER 31, 2018



## CAPITAL ALLOCATION

	March 31, 2018	July 31, 2018 - Acquisition of CYS	December 31, 2018
<b>Rates</b>	69%	77%	74%
Agency	50%	59%	50%
MSR	19%	18%	24%
<b>Credit</b>	31%	23%	26%

- Deployment of capital from CYS unfolded according to plan
- Actively evaluate capital allocation going forward based on best market opportunities

(1) For additional detail on the portfolio, see Appendix slides 10-14.  
 (2) Assets in "Rates" include Agency RMBS, MSR and other interest rate sensitive assets.  
 (3) Assets in "Credit" include non-Agency securities and other credit sensitive assets.

# Portfolio Highlights and Opportunities for 2019

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## ATTRACTIVE INVESTMENT OPPORTUNITY IN 2019 AS A RESULT OF SPREAD WIDENING IN 2018

### RATES STRATEGY

- Wider spreads creates attractive opportunity to invest capital in Agency RMBS
- Acquired \$36.1 billion UPB of MSR in the fourth quarter 2018; grew portfolio by over 60% year-over-year
- MSR market continues to be robust; over \$30 billion UPB in bulk deals transacted in January 2019

### CREDIT STRATEGY

- Discounted legacy non-Agencies continue to benefit from residential tailwinds that support strong total returns
- Added \$266 million legacy non-Agencies in the quarter
- As deeply discounted legacy non-Agency securities realize their upside potential, we expect to recycle capital into the best market opportunities at that time

# Portfolio Highlights and Opportunities for 2019



- Active management of risk positioning with goal of maintaining low exposures to rates and spreads

## HEDGING ACROSS THE CURVE

Book value exposure to changes in rates <sup>(1)</sup>		Net interest income exposure to changes in rates <sup>(2)</sup>	
+25 basis points	(0.1%)	+25 basis points	(1.8%)
+50 basis points	(2.6%)	+50 basis points	(3.6%)

## BOOK VALUE SENSITIVITY TO MORTGAGE SPREADS<sup>(3)</sup>

Mortgage spreads	Change in Agency RMBS and mortgage derivatives	Change in MSR	Total overall Rates strategy change
25 basis points increase	(\$224)	\$80	(\$144) / (4.4%)
15 basis points increase	(\$131)	\$49	(\$82) / (2.5%)
15 basis points decrease	\$117	(\$54)	\$63 / 1.9%
25 basis points decrease	\$189	(\$91)	\$98 / 3.0%

Note: The above scenario is provided for illustration purposes only and is not necessarily indicative of Two Harbors' financial condition and operating results, nor is it necessarily indicative of the financial condition or results of operations that may be expected for any future period or date.

(1) Represents estimated change in book value for theoretical parallel shift in interest rates.

(2) Represents estimated percentage change in net interest income for theoretical parallel shifts in interest rates. Amounts include the effect of interest spread from our interest rate swaps and caps and float income from custodial accounts associated with our MSR, but do not reflect any potential changes to dollar roll income associated with our TBA positions, which are accounted for as derivative instruments in accordance with GAAP.

(3) Dollars in millions. The information presented in this table projects the potential impact on book value of instantaneous changes in current coupon mortgage spreads. Spread sensitivity is based on results from third party models in conjunction with inputs from our internal investment professionals. Actual results could differ materially from these estimates.





# Appendix



**TWO HARBORS**  
Investment Corp.  
A Pine River Capital Managed Company

# Rates: Agency RMBS Metrics

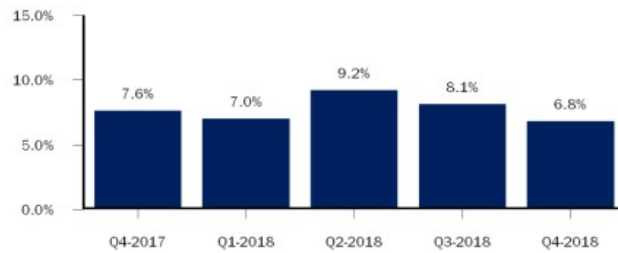


## AGENCY PORTFOLIO YIELDS AND METRICS

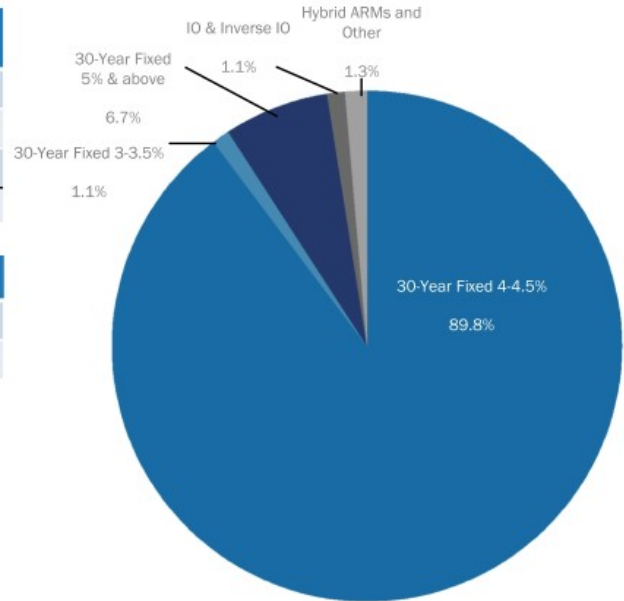
Portfolio Yield	Realized Q3-2018	At September 30, 2018	Realized Q4-2018	At December 31, 2018
Agency yield	3.1%	3.4%	3.3%	3.5%
Repo and FHLB costs	(2.3%)	(2.3%)	(2.5%)	(2.5%)
Swap and cap income	0.3%	0.4%	0.3%	0.6%
Net interest spread	1.1%	1.5%	1.1%	1.6%

Portfolio Metrics	Q3-2018	Q4-2018
Weighted average 3-month CPR <sup>(1)</sup>	8.1%	6.8%
Weighted average cost basis <sup>(2)</sup>	\$105.2	\$105.2

## AGENCY RMBS CPR<sup>(1)</sup>



## AGENCY PORTFOLIO COMPOSITION



(1) Agency weighted average 3-month Constant Prepayment Rate (CPR) includes IIOs (or Agency Derivatives).

(2) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes.

## Rates: Agency RMBS



Agency RMBS Portfolio and Net TBA Position						
\$ in millions - as of December 31, 2018						
MBS Coupon	Par Value	Market Value	% Prepay Protected <sup>(1)</sup>	Amortized Cost Basis	Weighted Average Coupon	Weighted Average Age (Months)
<b>30-Year Fixed</b>						
3.0%-3.5%	\$234	\$235	100.0%	\$236	3.5%	19
4.0%	8,641	8,846	83%	9,047	4.0%	22
4.5%	10,237	10,687	99%	10,765	4.5%	16
≥ 5.0%	1,368	1,452	74.4%	1,449	5.1%	24
<b>Total</b>	<b>\$20,480</b>	<b>21,220</b>	<b>90.7%</b>	<b>21,497</b>	<b>4.3%</b>	<b>19</b>
<b>15-Year Fixed</b>	\$69	\$71	1.24%	70	4.1%	95
<b>Other</b>	\$227	219 <sup>(2)</sup>	- %	221	4.9%	169
<b>IOs and IIOs</b>	\$3,592	246 <sup>(3)</sup>	- %	279	2.6%	115
<b>Net TBA notional</b>	<b>\$6,484</b>					
<b>Total Agency + TBA Holdings</b>	<b>\$30,852</b>					

(1) Includes securities with implicit or explicit protection including lower loan balances (securities collateralized by loans less than or equal to \$175K of initial principal balance), higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV), certain geographic concentrations and lower FICO scores.

(2) Represents market value of \$19.1 million of Hybrid ARMs and \$200.2 million of CMO and DUS pools.

(3) Represents market value of \$175.4 million of IOs and \$70.3 million of Agency Derivatives.



## Rates: Mortgage Servicing Rights<sup>(1)</sup>



	As of September 30, 2018	As of December 31, 2018
<b>Fair value (\$M)</b>	\$1,664.0	\$1,993.4
<b>Unpaid principal balance (\$M)</b>	\$131,114.5	\$163,102.3
<b>Weighted average coupon</b>	4.1%	4.1%
<b>Original FICO score<sup>(2)</sup></b>	751	752
<b>Original LTV</b>	74%	75%
<b>60+ day delinquencies</b>	0.4%	0.3%
<b>Net servicing spread</b>	25.7 basis points	25.9 basis points
<b>Vintage:</b>		
Pre-2013	9.4%	7.4%
2013-2016	20.1%	19.7%
Post-2016	70.5%	72.9%

(1) Excludes residential mortgage loans for which the company is the named servicing administrator.

(2) FICO represents a mortgage industry accepted credit score of a borrower.

# Credit: Non-Agency Securities Metrics



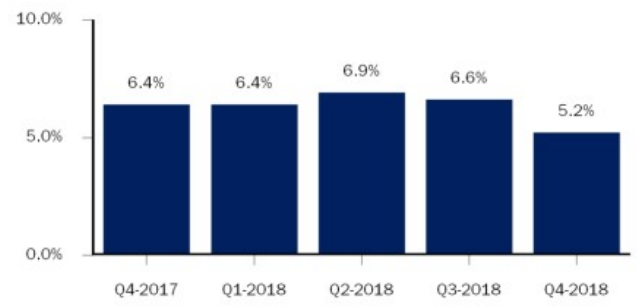
## NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2018	At September 30, 2018	Realized Q4-2018	At December 31, 2018
Non-Agency yield	7.4%	7.2%	7.7%	7.0%
Repo and FHLB costs	(3.6%)	(3.6%)	(3.7%)	(3.7%)
Swap and cap income	0.1%	0.1%	0.1%	0.1%
Net interest spread	3.9%	3.7%	4.1%	3.4%

## LEGACY NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	September 30, 2018	December 31, 2018
Sub-prime	75%	76%
Option-ARM	11%	11%
Prime	1%	1%
Alt-A	13%	13%
<b>Portfolio Metrics</b>	<b>Q3-2018</b>	<b>Q4-2018</b>
Weighted average 3-month CPR	6.6%	5.2%
Weighted average cost basis <sup>(1)</sup>	\$61.7	\$61.9

## LEGACY NON-AGENCY CPR



(1) Weighted average cost basis includes legacy non-Agency principal and interest securities only. Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, total legacy non-Agency securities excluding the company's non-Agency interest-only portfolio would have been \$59.07 at December 31, 2018.

# Credit: Legacy Non-Agency Securities



As of December 31, 2018	Senior Bonds	Mezzanine Bonds	Total P&I
<b>Portfolio characteristics:</b>			
Carrying value (\$M)	\$2,842.7	\$799.9	3,642.6
% of non-Agency portfolio	78.0%	22.0%	100.0%
Average purchase price <sup>(1)</sup>	\$60.72	\$65.96	\$61.87
Average coupon	3.4%	3.2%	3.3%
Weighted average market price <sup>(2)</sup>	\$67.47	\$82.18	\$70.23
<b>Collateral attributes:</b>			
Average loan age (months)	148	157	150
Average loan size (\$K)	\$373	\$385	\$376
Average original Loan-to-Value	67.3%	66.9%	67.2%
Average original FICO <sup>(3)</sup>	608	574	601
<b>Current performance:</b>			
60+ day delinquencies	19.6%	17.7%	19.2%
Average credit enhancement <sup>(4)</sup>	5.1%	15.8%	7.5%
3-Month CPR <sup>(5)</sup>	4.9%	6.4%	5.2%

(1) Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, the average purchase price for senior, mezzanine and total legacy non-Agency securities, excluding our non-Agency interest-only portfolio, would have been \$58.12, \$63.19 and \$59.07, respectively.

(2) Weighted average market price utilized current face for weighting purposes.

(3) FICO represents a mortgage industry accepted credit score of a borrower.

(4) Average credit enhancement remaining on our legacy non-Agency portfolio, which is the average amount of protection available to absorb future credit losses due to defaults on the underlying collateral.

(5) 3-Month CPR is reflective of the prepayment speed on the underlying securitization; however, it does not necessarily indicate the proceeds received on our investment tranche. Proceeds received for each security are dependent on the position of the individual security within the structure of each deal.



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