

**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 (Date of earliest event reported): August 22, 2019

Two Harbors Investment Corp.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

001-34506

(Commission File Number)

27-0312904

(I.R.S. Employer Identification No.)

575 Lexington Avenue, Suite 2930

(Address of Principal Executive Offices)

New York, NY

10022

(Zip Code)

(612) 629-2500

Registrant's telephone number, including area code

(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 (see General Instruction A.2. below):

- 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))

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol(s)	Name of Exchange on Which Registered:
Common Stock, par value \$0.01 per share	TWO	New York Stock Exchange
8.125% Series A Cumulative Redeemable Preferred Stock	TWO PRA	New York Stock Exchange
7.625% Series B Cumulative Redeemable Preferred Stock	TWO PRB	New York Stock Exchange
7.25% Series C Cumulative Redeemable Preferred Stock	TWO PRC	New York Stock Exchange
7.75% Series D Cumulative Redeemable Preferred Stock	TWO PRD	New York Stock Exchange
7.50% Series E Cumulative Redeemable Preferred Stock	TWO PRE	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	<u>Second Quarter 2019 Investor Presentation.</u>

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: August 22, 2019



TWO HARBORS INVESTMENT CORP.
A Leading Residential
Hybrid Mortgage REIT

Second Quarter 2019
Investor Presentation



TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Safe Harbor Statement



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 June 30, 2019.

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.

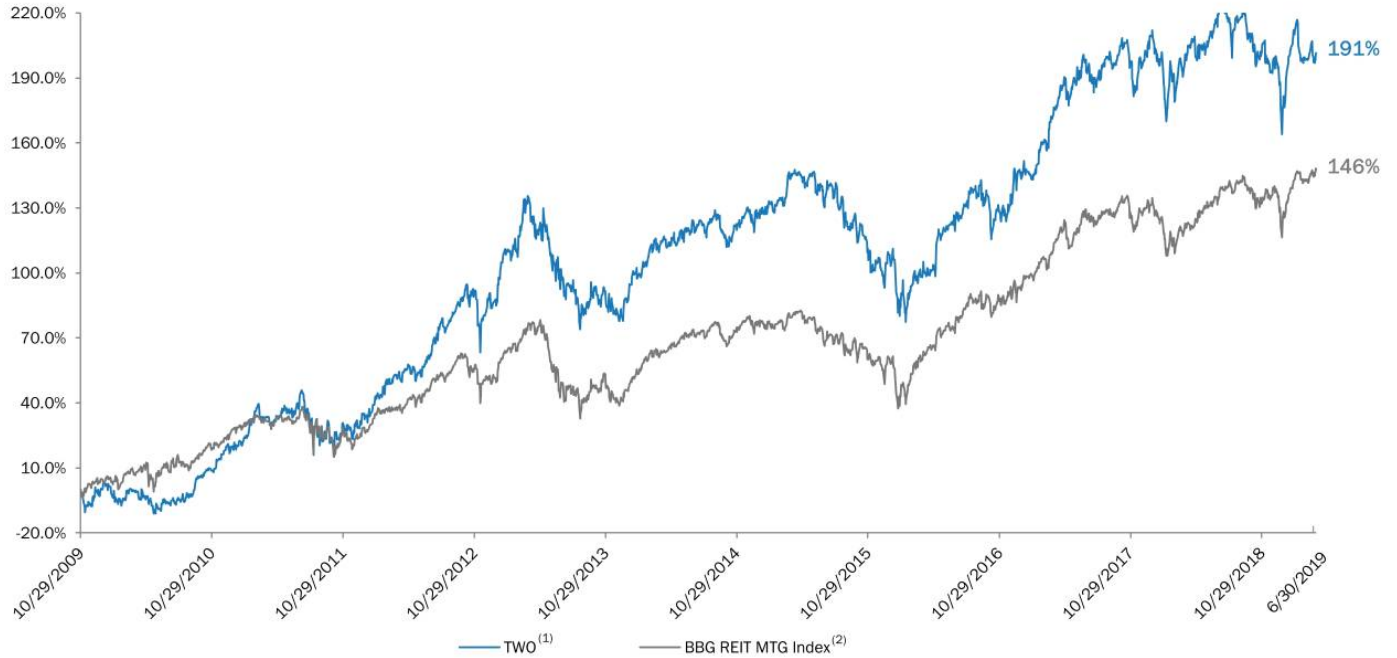
3) Two Harbors' total stockholder return calculated for the period October 29, 2009 through June 30, 2019. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

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 June 30, 2019. 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 and NLY. 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. Source: Bloomberg.

Substantial Total Stockholder Return Outperformance



- Outperformed peer group by over 45% since our inception
- Delivered total stockholder return of 191% during that time⁽¹⁾
 - Bloomberg REIT Mortgage Index total stockholder return of 146% over the same period of time⁽²⁾

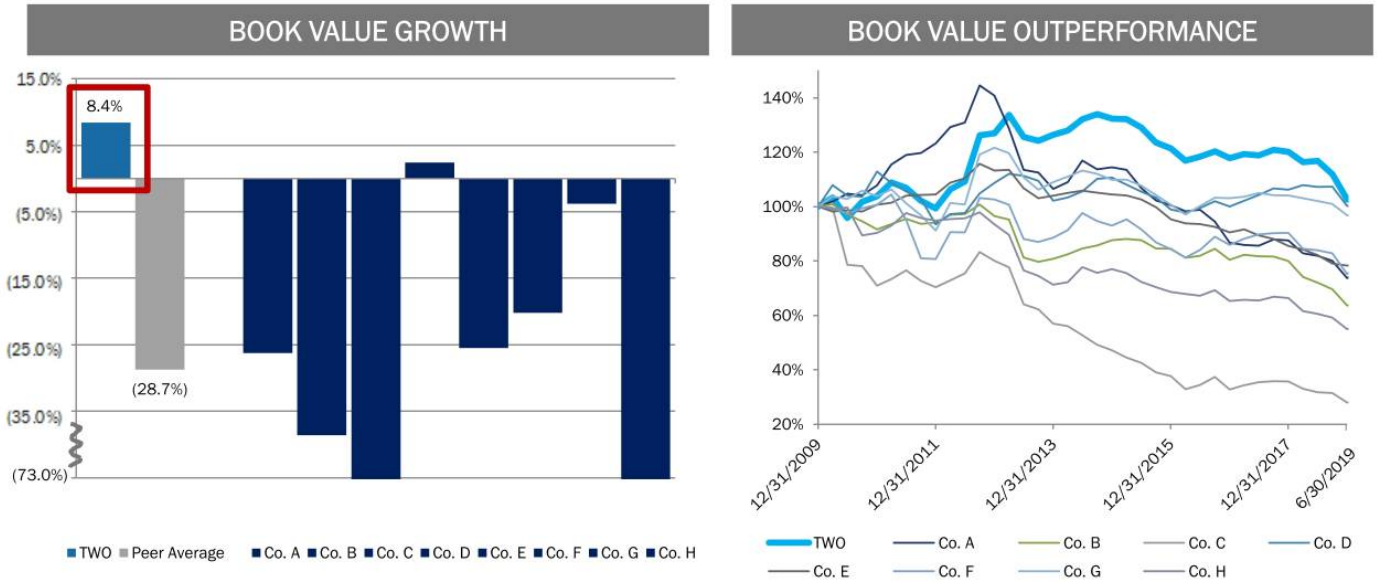


- 1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through June 30, 2019. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.
- 2) Bloomberg REIT Mortgage Index total stockholder return for the period October 29, 2009 through June 30, 2019. 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⁽¹⁾

- We have grown our book value by 8.4% since our inception in 2009
- Peer average over same time period was (28.7%)
- 35% lower book value volatility since inception compared to mortgage REIT average



1) Book value growth, outperformance and volatility since our inception is measured from December 31, 2009 or the peer company's inception, whichever is later, through June 30, 2019. 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 and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point common stock. Peer mortgage REITs (companies A-H) include AGNC, ANH, ARR, CIM, CMO, IVR, MFA and NLY. 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. Source: Bloomberg

Market Landscape and Outlook



ECONOMIC UNCERTAINTY AND GLOBAL TRADE CONCERNS FUELED RALLY IN INTEREST RATES IN THE SECOND QUARTER

RATES MARKET

- Second quarter environment consisted of lower rates, a flatter yield curve and 3-month LIBOR above most long-term rates
- Agency basis widened in the quarter, with current coupons widening by ~1 point and higher coupons widening by ~3/8 point
- Specified pools performed well in the rally, roughly offsetting basis widening
- MSR declined in value in line with duration and current coupon spreads

CREDIT MARKET

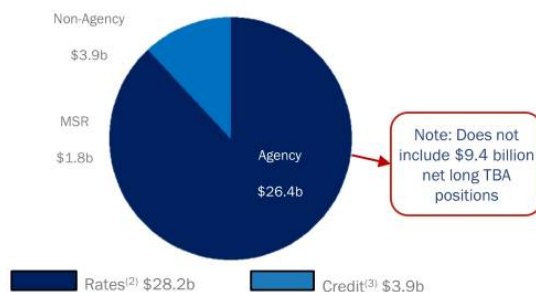
- Residential credit assets continued to perform well, supported by strong tailwinds to housing and solid investor demand for residential credit exposure
- Legacy discount bonds benefitted from lower expected LIBOR, resulting in more excess spread which reduces losses

Portfolio Composition and Quarterly Activity



PORTFOLIO COMPOSITION⁽¹⁾

\$32.1 BILLION PORTFOLIO AS OF JUNE 30, 2019



CAPITAL ALLOCATION⁽⁴⁾

	June 30, 2018	December 31, 2018	June 30, 2019
Rates ⁽²⁾	68%	74%	76%
Credit ⁽³⁾	32%	26%	24%

PORTFOLIO ACTIVITY

- Reduced higher coupon/higher payup specified pool position by approximately \$950 million, and replaced with lower coupon/lower payup specified pools that we believe have better convexity characteristics
- Added approximately \$5.7 billion of Agency pools to manage duration as interest rates rallied
- Up-in-coupon bias contributed positively to performance in the quarter
- Added approximately \$370 million market value of legacy non-Agency securities
- Although total leverage increased in the quarter, our mortgage spread risk actually declined, reflecting shorter spread durations in a lower rate environment

(1) For additional detail on the portfolio, see Appendix slides 11-13.

(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.

(4) Capital allocation percentages reflect management's assessment regarding the extent to which each asset class contributes to total portfolio risk. Does not represent funding allocation or balance sheet financing of such assets. Please refer to Appendix slide 15 for more information on financing.

Risk Profile



HEDGING ACROSS THE CURVE

Common book value exposure to changes in rates ⁽¹⁾		Net interest income exposure to changes in rates ⁽²⁾	
+50 basis points	(4.6%)	+50 basis points	1.6%
+25 basis points	(1.4%)	+25 basis points	0.8%
-25 basis points	0.5%	-25 basis points	(0.8%)
-50 basis points	1.8%	-50 basis points	(1.6%)

COMMON BOOK VALUE SENSITIVITY TO MORTGAGE SPREADS⁽³⁾

Mortgage spreads	Change in Agency RMBS and mortgage derivatives	Change in MSR	Total overall Rates Strategy change
25 basis points increase	(\$218) / (4.5%)	\$141 / 2.9%	(\$77) / (1.6%)
15 basis points increase	(\$125) / (2.6%)	\$85 / 1.8%	(\$40) / (0.8%)
15 basis points decrease	\$118 / 2.4%	(\$85) / (1.7%)	\$33 / 0.7%
25 basis points decrease	\$189 / 3.9%	(\$141) / (2.9%)	\$48 / 1.0%

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 common 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 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 common 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.

Strategic Overview



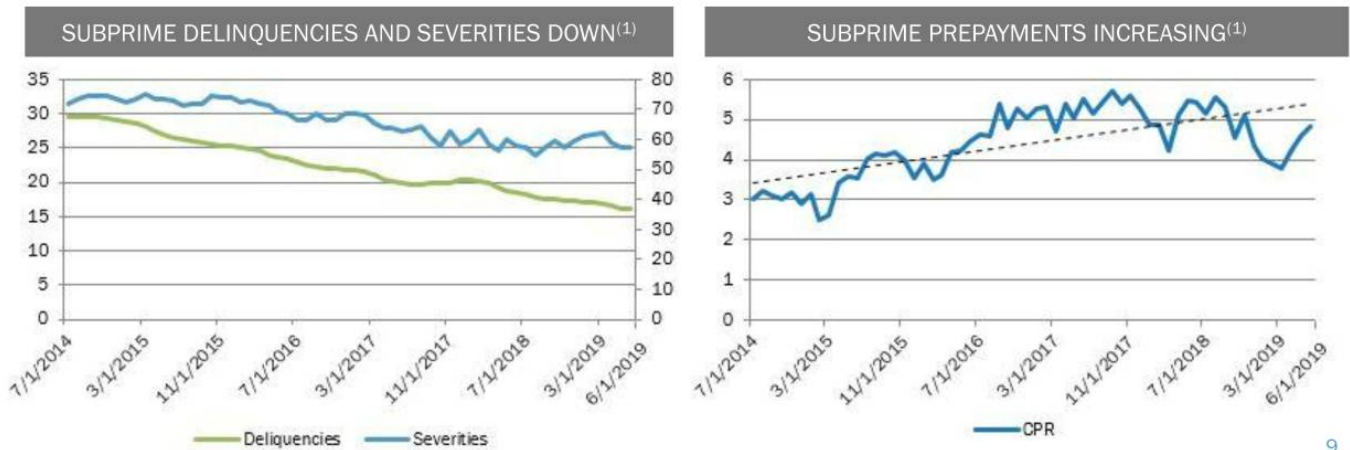
MANAGE PORTFOLIO TO GENERATE STRONG RISK-ADJUSTED RETURNS

RATES STRATEGY - Combination of Agency RMBS and MSR

- Current expected returns in low double digits for Agency RMBS paired with MSR
- Believe the combination of these two assets results in an attractive return with a lower risk quotient

CREDIT STRATEGY - Legacy non-Agency securities

- Low rate environment beneficial to residential credit assets; baseline returns for lower priced bonds in high single digits but upside price appreciation can drive much higher total returns
- Discounted legacy non-Agencies continue to benefit from residential tailwinds that support strong total returns



(1) Source: Loan-level data from CoreLogic.



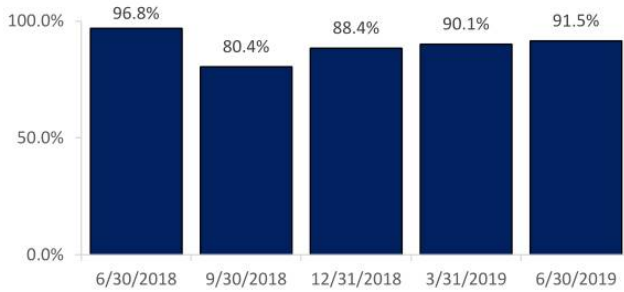
Appendix



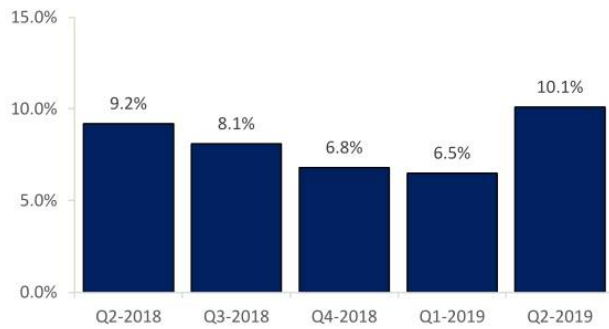
Rates: Agency RMBS Metrics



AGENCY PORTFOLIO PREPAYMENT PROTECTION⁽¹⁾



AGENCY RMBS CPR⁽²⁾



AGENCY PORTFOLIO AT-A-GLANCE

	Market Value (\$M)	% Prepay Protected
30-year fixed	\$25,994	92.9%
Other Agencies ⁽³⁾	155	0.4%
IOs and IIOs	236 ⁽⁴⁾	-%
Total Agency	\$26,385	91.5%
Net TBA notional	9,422	
Total Agency, including TBA notional	\$35,807	
Weighted average 3-month CPR ⁽¹⁾		10.1%
Weighted average cost basis ⁽⁵⁾		\$104.3

- (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) Agency weighted average 3-month Constant Prepayment Rate (CPR) includes IIOs (or Agency Derivatives).
- (3) Includes 15-year fixed, Hybrid ARMs, CMO and DUS pools.
- (4) Represents market value of \$159.8 million of IOs and \$76.2 million of Agency Derivatives.
- (5) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes.

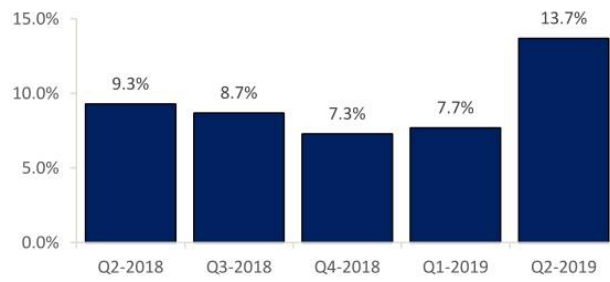
Rates: Mortgage Servicing Rights



MSR 60+ DAY DELINQUENCIES



MSR CPR



MSR PORTFOLIO AT-A-GLANCE⁽¹⁾

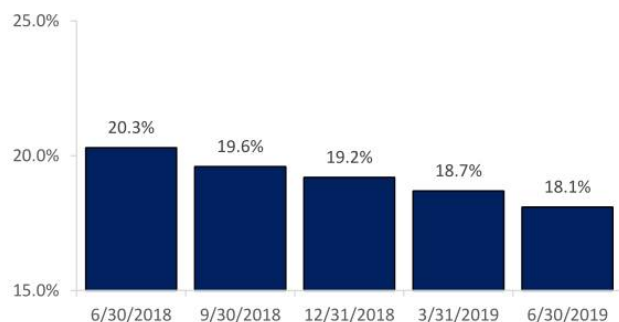
	As of March 31, 2019	As of June 30, 2019
Fair value (\$M)	\$2,014.4	\$1,800.8
Unpaid principal balance (\$M)	\$174,147.3	\$169,643.7
Weighted average coupon	4.1%	4.1%
Weighted average original FICO score ⁽²⁾	751	751
Weighted average original LTV	75%	75%
60+ day delinquencies	0.3%	0.3%
Net servicing spread (basis points)	26.1	26.3
Weighted average loan age (months)	30	32
Fannie Mae exposure	69.8%	69.8%
Vintage:		
Pre-2013	6.7%	6.7%
2013-2016	18.5%	18.2%
Post-2016	74.8%	75.1%

(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 60+ DAY DELINQUENCIES



NON-AGENCY CPR⁽⁴⁾



NON-AGENCY PORTFOLIO AT-A-GLANCE

	Total P&I Bonds
Portfolio characteristics:	
Carrying value (\$M)	\$3,786.3
% of non-Agency portfolio	100.0%
Weighted average purchase price ⁽¹⁾	\$61.70
Weighted average coupon	3.2%
Weighted average market price ⁽²⁾	\$68.02
Collateral attributes:	
Weighted average loan age (months)	155
Weighted average current loan size (\$K)	\$216
Weighted average original Loan-to-Value (amortized)	66.4%
Current performance:	
60+ day delinquencies	18.1%
Average credit enhancement ⁽³⁾	4.8%
3-Month CPR ⁽⁴⁾	5.3%

(1) Weighted average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, the weighted average purchase price for total non-Agency securities, excluding our non-Agency interest-only portfolio, would have been \$58.50.

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

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

(4) 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.

Financing



\$ in millions							
Outstanding Borrowings and Maturities ⁽¹⁾	Repurchase Agreements	FHLB Advances	Revolving Credit Facilities	Term Notes Payable	Convertible Notes	Total Outstanding Borrowings	Percent (%)
Within 30 days	\$ 5,902.9	\$ —	\$ —	\$ —	\$ —	\$ 5,902.9	20.4%
30 to 59 days	4,412.7	—	—	—	—	4,412.7	15.3%
60 to 89 days	5,683.3	—	—	—	—	5,683.3	19.7%
90 to 119 days	4,088.5	—	—	—	—	4,088.5	14.1%
120 to 364 days	7,780.6	—	—	—	—	7,780.6	26.9%
One to three years	300.0	—	—	—	284.3	584.3	2.0%
Three to five years	—	—	—	394.1	—	394.1	1.4%
Five to ten years	—	—	—	—	—	—	—%
Ten years and over ⁽²⁾	—	50.0	—	—	—	50.0	0.2%
	\$ 28,168.0	\$ 50.0	\$ —	\$ 394.1	\$ 284.3	\$ 28,896.4	100.0%
Collateral Pledged for Borrowings ⁽³⁾	Repurchase Agreements ⁽⁴⁾	FHLB Advances	Revolving Credit Facilities ⁽⁴⁾	Term Notes Payable	Convertible Notes	Total Collateral Pledged	Percent (%)
Available-for-sale securities, at fair value	\$ 28,731.2	\$ 45.1	\$ —	\$ —	n/a	\$ 28,776.3	95.2%
Derivative assets, at fair value	76.1	—	—	—	n/a	76.1	0.2%
Mortgage servicing rights, at fair value	609.4	—	199.6	581.0	n/a	1,390.0	4.6%
	\$ 29,416.7	\$ 45.1	\$ 199.6	\$ 581.0	n/a	\$ 30,242.4	100.0%

(1) Weighted average of 4.3 months to maturity.

(2) Includes FHLB advances of \$50 million with original maturities of 20 years.

(3) Excludes FHLB membership and activity stock totaling \$6.1 million.

(4) Repurchase agreements and/or revolving credit facilities secured by MSR may be over-collateralized due to operational considerations.

Interest Rate Swaps



INTEREST RATE SWAPS				
Maturities	Notional Amounts (\$B)	Average Fixed Pay Rate	Average Receive Rate	Average Maturity Years
Payers				
2019	\$4.2	1.781%	2.569%	0.3
2020	3.6	1.806%	2.502%	1.3
2021	10.5	2.104%	2.484%	1.9
2022	2.5	2.002%	2.430%	3.2
2023 and after	8.5	2.532%	2.536%	6.5
	\$29.3	2.136%	2.509%	3.1
Maturities	Notional Amounts (\$B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Receivers				
2020	\$0.2	2.581%	2.258%	0.6
2021	2.5	2.575%	2.736%	1.7
2022	0.8	2.523%	2.975%	2.9
2023 and after	7.6	2.505%	2.648%	8.0
	\$11.1	2.524%	2.682%	6.1

Interest Rate Swaptions



Option					Underlying Swap			
Swaption	Expiration	Cost (\$M)	Fair Value (\$M)	Average Months to Expiration	Notional Amount (\$M)	Average Pay Rate	Average Receive Rate	Average Term (Years)
Purchase Contracts:								
Payer	<6 Months	\$1.9	\$0.9	4.9	\$1,250	2.28%	3M LIBOR	5.2
Total Payer		\$1.9	\$0.9	4.9	\$1,250	2.28%	3M LIBOR	5.2
Receiver	<6 Months	\$23.3	\$29.1	4.7	\$2,625	3M LIBOR	1.87%	10.0
Total Receiver		\$23.3	\$29.1	4.7	\$2,625	3M LIBOR	1.87%	10.0



TWO HARBORS
Investment Corp.

A Pine River Capital Managed Company

