

Risk Factors Comparison 2025-02-20 to 2024-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

We are subject to a number of risks that, if realized, could have a material adverse effect on our business, financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. Some of our more significant challenges and risks include, but are not limited to, the following, which are described in greater detail below:

- Interest rate fluctuations could significantly decrease our results of operations and cash flows and the fair value of our investments. • **A prolonged economic slowdown, recession or declining real estate values could materially and adversely affect us.** • Difficult conditions in the mortgage, real estate and financial markets and the economy generally may adversely affect the performance and fair value of our investments. • A disruption in the MBS market could materially and adversely affect our business, financial condition, liquidity and results of operations. • We operate in a highly regulated industry and the continually changing federal, state and local laws and regulations could materially and adversely affect our business, financial condition, liquidity and results of operations. • ~~CFPB and state rules and regulations or more stringent enforcement~~ **Enforcement** of existing **or new** rules and regulations by the CFPB ~~or and~~ state regulators could result in enforcement actions, fines, penalties and reputational harm ~~that results from such actions~~. • We are highly dependent on U. S. government- sponsored entities and government agencies, and any organizational or pricing changes at such entities or their regulators could materially and adversely affect our business, liquidity, financial condition and results of operations. • We and / or PLS are required to have various Agency approvals and state licenses ~~in order~~ to conduct our business and **failure there is no assurance we and / or PLS will be able to obtain or maintain those Agency approvals or our state licenses could materially and adversely impact our business, financial condition, liquidity, and results of operations.** • Our or PLS' inability to meet certain net worth and liquidity requirements imposed by the Agencies could have a material adverse effect on our business, financial condition, liquidity and results of operation . • We have a substantial amount of indebtedness, which may limit our financial and operating activities, expose us to substantial increases in costs due to interest rate fluctuations, expose us to the risk of default under our debt obligations and adversely affect our ability to incur additional debt to fund future needs. • We finance our investments with borrowings, which may materially and adversely affect our return on our investments and may reduce cash available for distribution to our shareholders. • We may not be able to raise the debt or equity capital required to finance our assets or grow our business . • **We are subject to risks associated with the discontinuation of LIBOR, including its impact on our Series A Preferred Shares and Series B Preferred Shares .** • Hedging against interest rate exposure may materially and adversely affect our **business, financial condition, liquidity,** results of operations and cash flows. • Our correspondent production activities could subject us to increased risk of loss **that could adversely affect our business .** • ~~Our correspondent production activities depend, in part~~ **financial condition , liquidity** upon PLS' and **results of operations** other PFSI subsidiaries' ability to adapt to and implement technological changes and to successfully develop, implement and protect their proprietary technology. • We are not an approved Ginnie Mae issuer and an increase in the percentage of government loans we acquire could be detrimental to our results of operations. • Cybersecurity risks, cyber incidents and technology failures may adversely affect our and our Manager' s business by causing a disruption to our or our Manager' s operations, a compromise or corruption of our or our Manager' s confidential information or personal customer information, and / or damage to our or our Manager' s business relationships, all of which could negatively impact our financial results. • **Technology disruptions or failures, including a failure in our information systems or those of third parties with whom we or our Manager does business, could disrupt our or our Manager' s business, cause legal or reputational harm and adversely impact our results of operations and financial condition.** • Our retention of credit risk underlying loans we sell to the GSEs is inherently uncertain and exposes us to significant a risk of loss. • **The** A portion of our investments is in the form of residential loans, and the loans in which we invest subject us to costs and losses arising from delinquency and foreclosure, as well as the risks associated with residential real estate and residential real estate- related investments, any of which could result in losses to us. • Our ~~acquisition ownership~~ of mortgage servicing rights exposes us to ~~significant~~ **prepayment, delinquency, interest rate and regulatory** risks. • Climate change, adverse weather conditions, man- made or natural disasters, pandemics , **wars and armed conflicts**, terrorist attacks, and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service , ~~as well as geographic areas where we conduct business~~. • We may be materially and adversely affected by risks affecting borrowers or the asset or property types in which our investments may be concentrated at any given time, as well as from unfavorable changes in the related geographic regions. • Many of our investments are illiquid and we may not be able to adjust our portfolio in response to changes in economic and other conditions. • Fair values of many of our investments are estimates and the realization of reduced values from our recorded estimates may materially and adversely affect periodic reported results and credit availability, which may reduce earnings and, in turn, cash available for distribution to our shareholders. • We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable in certain circumstances, which could adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. • We are dependent upon PCM and PLS and their resources and may not find suitable replacements if any of our service agreements with PCM or PLS are terminated. • The management fee structure ~~could cause~~ **may provide** ~~disincentive~~ --- **incentives not fully aligned with our interest** and / or create greater investment risk . • ~~Termination of our management agreement is difficult and costly~~. • Certain provisions of Maryland law, our staggered board of trustees and certain provisions in our declaration of trust could each inhibit a change in our control. • Failure to maintain exemptions or exclusions from registration under the Investment Company Act could materially and adversely affect

us. • Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our shareholders. • Even if we qualify as a REIT, we face tax liabilities that reduce our cash flow, and a significant portion of our income may be earned through TRSs that are subject to U. S. federal income taxation. • The percentage of our assets **held through** represented by a TRS **TRSs** and the amount of our income that we can receive in the form of TRS dividends are subject to statutory limitations that could jeopardize our REIT status **and limit our pursuit of certain investment strategies**. • Our and our Manager’s risk management efforts may not be effective **in identifying our significant risks and designing and implementing adequate internal controls to mitigate those risks**. The above list is not exhaustive, and we face additional challenges and risks. Please carefully consider all of the information in this Report, including the matters set forth below in this Item 1A. Risk Factors In addition to the other information set forth in this Report, you should carefully consider the following factors, which could materially adversely affect our business, financial condition, liquidity and results of operations in future periods. The risks described below are not the only risks that we face. Additional risks not presently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition, liquidity and results of operations in future periods. Risks Related to Our Business Interest rates are highly sensitive to many factors, including United States monetary policies, domestic and international economic and political considerations and other macroeconomic conditions such as inflation, consumer confidence and demand. ~~Interest rate fluctuations present a variety of risks to our operations. For example, federal fund rate increases in 2022 and 2023 by the Federal Reserve to address rising inflation negatively impacted our correspondent production business.~~ Our primary interest rate exposures relate to the yield on our investments, their fair values and the financing cost of our debt, as well as **to the impact they may have on** any derivative financial instruments that we utilize for hedging purposes. In addition, MBS liquidity and interest rates may be impacted by future sales and reallocations of the Federal Reserve’s MBS portfolio. Changes in interest rates affect our net interest income, which is the difference between the interest income we earn on our interest earning investments and the interest expense we incur in financing these investments. Interest rate fluctuations resulting in our interest expense exceeding interest income may result in operating losses for us. ~~Interest~~ **The U. S. Federal Reserve’s federal funds** rates in 2022 and 2023 negatively impacted our loan production volumes, **ongoing inflationary pressures have constrained U. S. mortgage originations** and further fluctuations in **refinancing activity and future** interest rates ~~rate changes~~ could **impact** further materially and adversely affect our correspondent ~~production activities~~ **results of operations and cash flows and the fair value of our investments**. Changes in the level of interest rates also may affect our ability to make investments, the fair value of our investments (including our pipeline of loan commitments) and any related hedging instruments, the value of newly originated loans acquired through our correspondent production ~~segment~~ **activities**, and our ability to realize gains from the disposition of assets. Changes in interest rates may result in margin calls requiring us to post additional collateral, affect borrower default rates and impact our ability to refinance or modify loans and / or to sell REO. Decreasing interest rates may cause a large number of borrowers to refinance, which may result in the loss of mortgage servicing business and write- downs of the associated MSR. Any such scenario ~~could materially and adversely affect us.~~ **A prolonged economic slowdown, recession or declining real estate values** could materially and adversely affect us. The risks associated with our investments are more acute during periods of economic slowdown or recession, especially if these periods are accompanied by high unemployment and declining real estate values. A prolonged economic slowdown, a recession, high unemployment or declining real estate values significantly increase the likelihood that borrowers may default on their debt service obligations and that we will incur losses on our investments in the event of a default on a particular investment because the fair value of any collateral we foreclose upon may be insufficient to cover the full amount of such investment or may require a significant amount of time to realize. A significant deterioration in macroeconomic conditions could also reduce the amount of disposable income consumers have and negatively impact the consumers’ ability to take out new loans and repay existing loans. These factors may also increase the likelihood of re- default rates even after we have completed loan modifications. Any period of increased payment delinquencies, foreclosures or losses could adversely affect the net interest income generated from our portfolio and our ability to make and finance future investments, which would materially and adversely affect our business, financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. The success of our business strategies and our results of operations are materially affected by current conditions in the mortgage, real estate and financial markets and the economy generally. Continuing concerns over factors including inflation, deflation, unemployment, personal and business income taxes, healthcare, energy costs, domestic political issues, pandemics, **wars and armed conflicts**, climate change, the availability and cost of credit and the mortgage and real estate markets have contributed to increased volatility and unclear expectations for the economy and markets going forward. Mortgage markets may be affected by changes in the lending landscape, defaults, credit losses and liquidity concerns. A destabilization of the real estate and mortgage markets or deterioration in these markets may adversely affect the performance of our investments, reduce our loan production volume, lower our margins, reduce the profitability of servicing mortgages or adversely affect our ability to sell loans that we acquire, either at a profit or at all. Any of the foregoing could materially and adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. Correspondent production activities include purchasing residential loans ~~from approved mortgage originators~~, pooling Fannie Mae and Freddie Mac loans into Agency MBS securities and selling **or securitizing the** loans ~~. Correspondent production purchases loans from approved mortgage originators that meet specific criteria related to management experience, financial strength, risk management controls and loan quality.~~ The liquidity of the MBS market may be impacted by future sales and reallocations of the Federal Reserve’s MBS portfolio, resulting in wider mortgage- backed security spreads. Any significant disruption or period of illiquidity in the MBS market would directly affect our liquidity because no existing alternative secondary market would likely be able to accommodate on a timely basis the volume of loans that we typically acquire and sell in any given period. Furthermore, we would remain contractually obligated to fund loans under our outstanding interest rate lock commitments (“ IRLCs ”) without being able to sell our existing inventory of mortgage loans. Accordingly, if

the MBS market experiences a period of illiquidity, we might be prevented from selling **or securitizing** the loans that we produce into the secondary market in a timely manner or at favorable prices and we could be required to hold a larger inventory of loans than we have committed facilities to fund, or we may be required to repay a portion of the debt secured by these assets, all of which could materially and adversely affect our business, financial condition, results of operations and our ability to make distributions to our shareholders. Because we and PLS are not federally chartered depository institutions, neither we nor PLS benefit from exemptions to state mortgage lending, loan servicing or debt collection licensing and regulatory requirements. Accordingly, PLS is licensed in all state jurisdictions, and for those activities, where it is required to be licensed and believes it is cost effective and appropriate to become licensed. Our failure or the failure by PLS to maintain any necessary licenses, comply with applicable licensing laws or satisfy the various requirements to maintain them over time could restrict our direct business activities, result in litigation or civil and other monetary penalties, or cause us to default under certain of our lending arrangements, any of which could materially and adversely impact our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. We **Because we and PLS are not federally chartered depository institutions, neither we nor PLS benefit from exemptions to state mortgage lending, loan servicing or debt collection licensing and regulatory requirements. Accordingly, PLS is licensed in all state jurisdictions, and for those activities, where it is required to be licensed and believes it is cost effective and appropriate to become licensed. Our failure or the failure by PLS to maintain any necessary licenses, comply with applicable licensing laws or satisfy the various requirements to maintain them over time could restrict our direct business activities, result in litigation or civil and other monetary penalties, or cause us to default under certain of our lending arrangements, any of which could materially and adversely impact our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders.** We and PLS are also required to hold the Agency approvals in order to sell loans to the Agencies and service such loans on their behalf. Our failure, or the failure of PLS, to satisfy the various requirements necessary to maintain such Agency approvals over time would also restrict our direct business activities and could adversely impact our business. We and PLS are subject to periodic examinations by federal, state and Agency auditors and regulators, which can result in increases in our administrative costs, and we or PLS may be required to pay substantial penalties imposed by these regulators due to compliance errors, or we or PLS may lose our licenses. Negative publicity or fines and penalties incurred in one ~~or more~~ jurisdictions ~~jurisdiction~~ may cause investigations or other actions by regulators in other jurisdictions and could adversely impact our business. **Our or PLS' inability to meet certain net worth and liquidity requirements imposed by the Agencies could have a material adverse effect on our business, financial condition, liquidity and results of operation.** We and our servicer are subject to minimum financial eligibility requirements established by the Agencies, as applicable. For example, **on August 2022**, the FHFA and Ginnie Mae ~~enacted~~ **announced** enhanced minimum net capital and liquidity eligibility requirements for sellers, servicers and issuers **that commenced in 2023**. These eligibility requirements align the minimum financial requirements for mortgage sellers / servicers and MBS issuers to do business with the Agencies. These minimum financial requirements include net worth, capital ratio and / or liquidity criteria in order to set a minimum level of capital needed to adequately absorb potential losses and a minimum amount of liquidity needed to service Agency loans and MBS and cover the associated financial obligations and risks. **In order to meet these minimum financial requirements, we and PLS are required to maintain rather than spend or invest, cash and cash equivalents in amounts that may adversely affect our or its business and significantly impede us and PLS, as non-bank mortgage lenders, from growing our respective businesses and place us at a competitive disadvantage in relation to federally chartered banks and other financial institutions.** To the extent ~~any new~~ **that such** minimum ~~financial net worth, capital ratio and liquidity standards and requirements are overly burdensome~~ **not met**, ~~complying~~ **the Agencies may suspend or terminate Agency approval or certain agreements** with such ~~standards~~ **us or PLS, which could cause us or PLS to cross default under financing arrangements** and requirements may / ~~or~~ have a material adverse effect on our business, financial condition and results of operations. **In order to meet these minimum financial requirements, we and PLS are required to maintain rather than spend or invest, cash and cash equivalents in amounts that may adversely affect our or its business and significantly impede us and PLS, as non-bank mortgage lenders, from growing our respective businesses and place us at a competitive disadvantage in relation to federally chartered banks and other financial institutions. To the extent that such minimum financial requirements are not met, the Agencies may suspend or terminate Agency approval or certain agreements with us or PLS, which could cause us or PLS to cross default under financing arrangements and / or have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders.** As of December 31, ~~2024~~ **2023**, we had \$ ~~12~~ **10** . ~~1~~ **5** billion of total indebtedness outstanding (approximately \$ ~~11~~ **9** . ~~5~~ **9** billion of which was secured) and up to \$ ~~5~~ **5** . ~~9~~ **9** billion of additional capacity under our secured borrowings and other secured debt financing arrangements. This substantial indebtedness and any future indebtedness we incur could have adverse consequences and, for example, could: • require us to dedicate a substantial portion of cash flow from operations and investments to the payment of principal and interest on indebtedness, including indebtedness we may incur in the future, thereby reducing the funds available for operations, investments and other general corporate purposes; • make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including any restrictive covenants, could result in an event of default under the agreements governing our other indebtedness which, if not cured or waived, could result in accelerated repayment of our indebtedness; • subject us to increased sensitivity to interest rate increases; • make us more vulnerable to economic downturns, adverse industry conditions or catastrophic events; • reduce our flexibility in planning for or responding to changing business, industry and economic conditions or restrict our ability to carry on business activity; and / or • place us at a competitive disadvantage to competitors that have relatively less debt than we have. In addition, our substantial level of indebtedness could limit our ability to obtain additional financing on acceptable terms, or at all, for working capital and general corporate purposes. Our liquidity needs vary significantly from time to time and may be affected by general economic conditions, industry trends, performance and many other factors

outside our control. We currently leverage and, to the extent available, intend to continue to leverage our investments through borrowings, the level of which may vary based on our investment portfolio characteristics and market conditions. We generally finance our investments with relatively short-term facilities until longer-term financing becomes available. As a result, we are subject to the risks that we would not be able to obtain suitable non-recourse long-term financing or otherwise acquire, during the period that any short-term facilities are available, sufficient eligible assets or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short-term facilities or to renew any short-term facilities after they expire should we need more time to obtain long-term financing or seek and acquire sufficient eligible assets or securities for a securitization. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or unfavorable price. Specifically, we have financed certain of our investments through repurchase agreements, pursuant to which we may sell securities or loans to lenders (i.e., repurchase agreement counterparties). CRT investments have been financed through term notes and repurchase agreements. Unlike MBS and other investments, we finance under repurchase agreements, our CRT investments are generally more illiquid and subject to greater fluctuations in fair value and the term notes we issue to finance these assets may not be callable and may otherwise prohibit the disposition of the assets securing the financing. We also currently finance certain of our MSR under secured financing arrangements. Our Freddie Mac MSRs are pledged to secure borrowings under loan and security agreements, while our Fannie Mae MSRs are pledged to a special purpose entity, which issues variable funding notes and term notes that are secured by such Fannie Mae MSRs and repaid through the cash flows received by the special purpose entity as the lender under a repurchase agreement with PMC. A decrease in the fair value of the pledged collateral can result in a margin call. Any such margin call may require that we liquidate assets at a disadvantageous time or provide that the secured parties may sell the collateral, either of which could result in significant losses to us. Each of the secured financing arrangements pursuant to which we finance MSRs is further subject to the terms of an acknowledgement agreement with Fannie Mae, Freddie Mac or Ginnie Mae, as applicable, pursuant to which our and the secured parties' rights are subordinate in all respects to the rights of the applicable Agency. Any extinguishment of our and the secured parties' rights in the related collateral could result in significant losses to us. We may in the future utilize other sources of borrowings, including term loans, bank credit facilities and structured financing arrangements, among others. The amount of leverage we employ varies depending on the asset class being financed, our available capital, our ability to obtain and access financing arrangements with lenders and the lenders' and rating agencies' estimate of, among other things, the stability of our investment portfolio's cash flow. Our return on our investments and cash available for distribution to our shareholders may be reduced to the extent that changes in market conditions increase the cost of our financing relative to the income that can be derived from the investments acquired. Our debt service payments also reduce cash flow available for distribution to shareholders. In the event we are unable to meet our debt service obligations, we risk the loss of some or all of our assets to foreclosure or sale to satisfy the obligations. Our financing agreements contain financial and restrictive covenants that could adversely affect our financial condition and our ability to operate our businesses. The lenders under our repurchase agreements require us and / or our subsidiaries to comply with various financial covenants, including those relating to tangible net worth, profitability and our ratio of total liabilities to tangible net worth. Our lenders also require us to maintain minimum amounts of cash or cash equivalents sufficient to maintain a specified liquidity position. If we are unable to maintain these liquidity levels, we could be forced to sell additional investments at a loss and our financial condition could deteriorate rapidly. Our existing financing agreements also contain certain events of default and other financial and non-financial covenants and restrictions that impact our flexibility to determine our operating policies and investment strategies. If we default on our obligations under a credit or financing agreement, fail to comply with certain covenants and restrictions or breach our representations and are unable to cure, the lender may be able to terminate the transaction or its commitments, accelerate any amounts outstanding, require us to post additional collateral or repurchase the assets, and / or cease entering into any other credit transactions with us. Because our financing agreements typically contain cross-default provisions, a default that occurs under any one agreement could allow the lenders under our other agreements to also declare a default, thereby exposing us to a variety of lender remedies, such as those described above, and potential losses arising therefrom. Any losses that we incur on our credit and financing agreements could materially and adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. As the servicer of the assets subject to our repurchase agreements, PLS is also subject to various financial covenants, including those relating to tangible net worth, liquidity, profitability and its ratio of total liabilities to tangible net worth. PLS' failure to comply with any of these covenants would generally result in a servicer termination event or event of default under one or more of our repurchase agreements. Thus, in addition to relying upon PCM to manage our financial covenants, we rely upon PLS to manage its own financial covenants in order to ensure our compliance with our repurchase agreements and our continued access to liquidity and capital. A servicer termination event or event of default resulting from PLS' breach of its financial or other covenants could materially and adversely impact our business, financial condition, liquidity, results of operations and our ability to make distributions to shareholders. We require continued access to debt and equity capital that may or may not be available on favorable terms or at the desired times, or at all. In addition, we invest in certain assets, including MSRs, for which financing has historically been difficult to obtain. Our inability to continue to maintain debt financing for MSRs could require us to seek equity capital that may be more costly or unavailable to us. We are also dependent on a limited number of banking institutions and private equity firms to extend us credit on terms that we have determined to be commercially reasonable. These banking institutions and private equity firms are subject to their own risk management frameworks, profitability and risk thresholds and tolerances, any of which may change materially and negatively impact their business strategies, including their extension of credit to us specifically or mortgage lenders and servicers generally. Several Certain financial firms have already exited the mortgage lending market in the last several years, and others financial firms may decide to exit the mortgage lending business in the future. Such actions may increase our cost of capital and limit or

otherwise eliminate our access to capital, in which case our business, financial condition, liquidity and results of operations would be materially and adversely affected. We can provide no assurance that we will have access to any debt or equity capital on favorable terms or at the desired times, or at all. Our inability to raise such capital or obtain financing on favorable terms could materially and adversely impact our business, financial condition, liquidity, results of operations and our ability to make distributions to shareholders. ~~We may engage in mortgage loan securitizations that could adversely affect our business, financial condition, liquidity and results of operations. We may engage in mortgage loan securitizations in which we conduct due diligence on a representative sample of mortgage loans related to the securitization and make representations and warranties relating to those mortgage loans. We may also prepare marketing and disclosure documentation, including term sheets, offering documents, and prospectuses or offering memoranda that include disclosures regarding our mortgage loan securitizations. If our marketing and disclosure documentation are alleged or found to contain inaccuracies or omissions, we may be liable under federal and state securities laws and other laws for damages to third parties that invested in the mortgage loan securitizations, including in circumstances where we may rely on a third party in preparing accurate disclosures. In addition, are required to comply with a wide array of federal, state and local laws and regulations that regulate, among other things, the manner in which we conduct our loan production and servicing businesses. These regulations directly impact our business and require constant compliance, monitoring and internal and external audits. Our or PLS ' and the service providers it uses, including outside counsel retained to process foreclosures and bankruptcies, must also comply with these legal requirements. Our failure or the failure of PLS to operate effectively and in compliance with these laws, regulations and rules could subject us to lawsuits or governmental actions, reputational damages, increased costs of doing business, reduced payments by borrowers, modification of the original terms of loans, permanent forgiveness of debt, foreclosure process delays, increased servicing advances, litigation, enforcement actions, and repurchase and indemnification obligations, which could materially and adversely affect our business, financial condition, liquidity and results of operations. We and PLS must also comply with a number of federal, state and local consumer protection and state foreclosure laws. These statutes apply to loan origination, servicing, debt collection, marketing, use of credit reports, safeguarding of non- public, personally identifiable information about our clients, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and mandate certain disclosures and notices to customers. Because neither we nor PLS is a federally chartered depository institution, we generally do not benefit from federal pre-emption of state mortgage loan banking, loan servicing or debt collection licensing and regulatory requirements and must comply with state licensing and compliance requirements in all 50 states, the District of Columbia and other U. S. territories. These state rules and regulations generally provide for, but are not limited to: originator, servicer and debt collector licensing requirements, requirements as to the form and content of ~~contracts~~ **loan agreements** and other documentation, employee licensing and background check requirements, fee requirements, interest rate limits, and disclosure and record-keeping requirements. The failure of our correspondent sellers to comply with any applicable laws, regulations and rules may also result in these adverse consequences. We and PLS ~~has~~ **have** in place a compliance program designed to assess areas of risk with respect to loans we acquire from such correspondent sellers. However, we ~~and PLS~~ may not detect every violation of law and, to the extent any correspondent sellers with which we do business fail to comply with applicable laws or regulations and any of their loans or MSR become part of our assets, it could subject us, as an assignee or purchaser of the related loans or MSR, to monetary penalties or other losses. While we may have contractual rights to seek indemnity or repurchase from certain lenders, if they are unable to fulfill their indemnity or repurchase obligations to us to a material extent, our business, liquidity, financial condition and results of operations could be materially and adversely affected. Our service providers and other vendors are also required to operate in compliance with applicable laws, regulations and rules. Our failure to adequately manage service providers and other vendors to mitigate risks of noncompliance with applicable laws may also have these negative results. Regulatory agencies and consumer advocacy groups are becoming more aggressive in asserting fair lending, fair housing and other claims that the practices of lenders and loan servicers result in a disparate impact on protected classes. Anti-discrimination statutes, such as the Fair Housing Act and the Equal Credit Opportunity Act, prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin. Various federal regulatory agencies and departments take the position that these laws apply not only to intentional discrimination, but also to neutral practices that have a "disparate impact" on a group that shares a characteristic that a creditor may not consider in making credit decisions (i. e., creditor or servicing practices that have a disproportionately negative ~~affect~~ **effect** on a protected class of individuals). Federal and state administrations could enact significant policy changes increasing regulatory scrutiny and enforcement actions in our industry. **In particular, the new presidential administration may enact significant policy and regulatory changes that may impact our industry. For example, on January 20, 2025, an executive order established the " Department of Government Efficiency " to reform federal government processes and reduce expenditures that could result in significant changes to federal housing and consumer financial regulatory agencies. Significant changes to federal agency structures, regulatory policies, or housing funding priorities could reduce funding for federal housing programs and increase regulatory uncertainty. Additionally, reforming federal agencies and regulations could fragment federal regulatory oversight among local, state, and federal regulators resulting in additional compliance costs and heightened regulatory uncertainty for our industry.** While it is not possible to predict when and whether significant policy or regulatory changes ~~would~~ **will** occur, any such changes on the federal, state or local level could significantly impact, among other things, our operating expenses ~~and~~, the availability of mortgage financing, **interest rates, consumer spending, the economy and the geopolitical landscape**. To the extent that the ~~current~~ **new** government administration takes action by proposing and / or passing regulatory policies that could have a negative impact on our industry, such actions may have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our shareholders. To the extent any such state ~~regulators~~ **regulator** impose ~~imposes~~ **new** minimum net worth, capital ratio ~~and~~, liquidity standards **or other requirements** that are overly burdensome,~~

such actions may have a material adverse effect on our business, financial condition, liquidity and results of operations. The outcome of the 2024 U. S. Presidential and Congressional elections could result in significant policy changes or regulatory uncertainty in our industry. While it is not possible to predict when and whether significant policy or regulatory changes would occur, any such changes on the federal, state or local level could significantly impact, among other things, our operating expenses, the availability of mortgage financing, interest rates, consumer spending, the economy and the geopolitical landscape. To the extent that any government administration takes action by proposing and / or passing regulatory policies that could have a negative impact on our industry, such actions may have a material adverse effect on our business, financial condition and results of operations. The Financial Stability Oversight Council (“FSOC”) and Conference of State Bank Supervisors have been reviewing whether state chartered nonbank mortgage servicers should be subject to “safety and soundness” standards similar to those imposed by federal law on insured depository institutions, even though nonbank mortgage servicers do not have any federally insured deposit accounts. On In November 3, 2023, the FSOC revised its guidance governing the potential designation of nonbank financial companies for supervision by the Federal Reserve Board and application of prudential standards and an “analytic framework” for identifying, assessing, and responding to financial stability risks that could facilitate new nonbank financial company designations. Also, on August 17, 2022, the FHFA and Ginnie Mae announced enhanced minimum net capital and liquidity eligibility requirements for sellers, servicers and issuers that commenced in 2023. To the extent any new minimum net worth, capital ratio and liquidity standards and requirements are overly burdensome, complying with such standards and requirements may have a material adverse effect on our business, financial condition, liquidity and results of operations. The CFPB and state regulators have regulatory authority over certain aspects of our business as a result of our residential mortgage banking activities, including, without limitation, the authority to conduct investigations, bring enforcement actions, impose monetary penalties, require remediation of practices, pursue administrative proceedings or litigation, and obtain cease and desist orders for violations of applicable federal consumer financial laws. The current publication and adoption of new and amended laws, regulations and informal guidance by the CFPB administration could have a substantial impact on our business operations. For instance, the CFPB proposed regulations in 2024 that would greatly impact the manner in which mortgage servicers respond to borrower requests for loss mitigation assistance and advance the foreclosure process during the loss mitigation review cycle, as well as how they communicate with limited English proficiency consumers. The CFPB has historically stated its intention to aggressively supervise supervised, investigate investigated and, where it deems deemed appropriate, bring brought aggressive enforcement actions against lenders and servicers the CFPB believes believed are were engaged in activities that violate violated federal laws and regulations. In addition, examinations by state regulators and enforcement actions in the residential mortgage origination and servicing sectors by state attorneys general have increased and may continue to increase. Our or PLS’ failure to comply with the laws, rules or regulations to which we are subject, whether actual or alleged, would expose us or PLS to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could have a material adverse effect on our or PLS’ business, liquidity, financial condition and results of operations and our ability to make distributions to our shareholders. Our ability to generate revenues through loan sales depends on programs administered by the Agencies and others that facilitate the issuance of MBS in the secondary market. We acquire loans from mortgage lenders and PLS through our correspondent production activities that qualify under existing standards for inclusion in mortgage securities backed by the Agencies. We also derive other material financial benefits from these relationships, including the ability to avoid certain loan inventory finance costs through streamlined loan funding and sale procedures and the assumption of credit risk on certain loans. Significant changes in our Agency relationships could impact our ability to finance and sell mortgage loans and materially impact our revenues and profit margin. Any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and their regulators or the U. S. federal government, and any changes in leadership at any of these entities could adversely affect our business and prospects. Any discontinuation of, or significant reduction in, the operation of Fannie Mae or Freddie Mac or any significant adverse change in their capital structure, financial condition, activity levels in the primary or secondary mortgage markets or underwriting criteria could materially and adversely affect our business, liquidity, financial condition, results of operations and our ability to make distributions to our shareholders. Our ability to generate revenues from newly originated loans that we acquire through our correspondent production activities is also highly dependent on the fact that the Agencies have not historically acquired such loans directly from mortgage lenders, but have instead relied on banks and non-bank aggregators such as us to acquire, aggregate and securitize or otherwise sell such loans to investors in the secondary market. To the extent that mortgage lenders choose to sell directly to the Agencies rather than through loan aggregators like us, this would reduce reduce the number of loans available for purchase, which and it could materially and adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. Under certain Agency capital rules, loans sourced from loan aggregators, such as ourselves, have higher capital requirements and we may incur higher Agency fees for third-party originated loans that we aggregate and deliver to the Agencies as compared to individual loans delivered by third-party mortgage lenders directly to the Agencies’ cash windows without the assistance of a loan aggregator. To the extent the Agencies increase the number of purchases and sales for their own accounts, our business, liquidity, financial condition and results of operations could be materially and adversely affected. Because we and PLS are not federally..... ability to make distributions to shareholders. Failures at financial institutions at which we deposit funds or maintain investments could adversely affect us. We deposit substantial funds in financial institutions and may, from time to time, maintain cash balances at such financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insured amounts. We also hold investments and settled funds in accounts at financial institutions acting as brokers or custodians. In addition, we deposit certain funds owned by third parties, such as escrow deposits, in financial institutions. There was significant volatility and instability among banks and financial institutions in 2023 that led to the failure of multiple banks Silicon Valley Bank. For example, for a period of time, customers of the Silicon Valley Bank did not have access to their funds and there was

uncertainty as to when, if at all, customers would have access to funds in excess of federally insured amounts. Should one or more of the financial institutions at which our deposits are maintained fail, there is no guarantee as to the extent that we would recover the funds deposited, whether through FDIC coverage or otherwise, or the timing of any recovery. In the event of any such failure, we also could be held liable for the funds owned by third parties. ~~We are subject to risks associated with the discontinuation of LIBOR, including its impact on our Series A Preferred Shares and Series B Preferred Shares.~~ The discontinuation of **London Inter-bank Offered Rate (“LIBOR”)** could have a significant impact on our business activities, including, but not limited to, agreements or instruments underlying our financing arrangements, and securities and liabilities with fallback language that seeks to ensure economic equivalence with our financing arrangements and securities prior to the discontinuation of LIBOR. ~~Furthermore~~ **For example, as discussed further below, the discontinuation of transition away from widely used benchmark rates like LIBOR has resulted and may continue to result in customers, investors and other market participants filing of a shareholder complaint in the United States District Court for the Central District of California challenging -- alleging that the determination of their -- the interest or replacement of the floating three-month LIBOR dividend rate payments, disputing the interpretations or implementation of contract or instrument “fallback” provisions and other transition related changes, which may result in litigation or legal proceedings that adversely affect our business, financial condition, liquidity and results of operations. More specifically, as a result of the cessation of representative USD LIBOR and subsequent legislation and rulemaking, the Articles Supplementary for each of our Series A Fixed- to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series A Preferred Shares”) and Series B Fixed- to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series B Preferred Shares”) with a fixed rate per the “fallback” provisions of our Series A Preferred Shares and Series B Preferred Shares violated California’s Unfair Competition Law. More specifically, as a result of the cessation of representative LIBOR and subsequent legislation and rulemaking, the Articles Supplementary for each of our Series A Preferred Shares and Series B Preferred Shares require that the applicable dividend rate for dividend periods from and after March 15, 2024, in the case of the Series A Preferred Shares, or June 15, 2024, in the case of the Series B Preferred Shares, be calculated at the dividend rate in effect for the immediately preceding dividend period. As a result, the Series A Preferred Shares and Series B Preferred Shares will have continue continued to accumulate dividends from and after March 15, 2024, in the case of the Series A Preferred Shares, or June 15, 2024, in the case of the Series B Preferred Shares, at their respective fixed rate rates then in effect and will did not transition to floating reference rates. As certain In the event we are unsuccessful in defending against this litigation, it may adversely impact our financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. In addition, the discontinuation of LIBOR may result in the other customers, investors in and the other market participants Series A Preferred Shares and Series B Preferred Shares have challenged challenging our the determination of their payments, disputing the interpretation interpretations or implementation of the Articles Supplementary contract or instrument “fallback” provisions and applicable law, there other can be no assurance transition related changes, that any challenges may not result in additional litigation or legal proceedings that adversely affect our business, financial condition, liquidity and results of operations. We are subject to market risk and declines in credit quality and changes in credit spreads, which may adversely affect investment income and cause realized and unrealized losses. We are exposed to the credit markets and subject to the risk that we will incur losses due to adverse changes in credit spreads. Credit spread is the additional yield on fixed income securities above the risk-free rate (typically referenced as the yield on U. S. Treasury securities) that market participants require to compensate them for assuming credit risks. Adverse changes to these spreads may occur due to changes in fiscal policy, the economic climate, the liquidity of a market or market segment, insolvency or financial distress of key market makers or participants, or changes in market perceptions of credit worthiness and / or risk tolerance. We are subject to risks associated with potential declines in our credit quality, credit quality related to specific issuers or specific industries, and a general weakening in the economy, all of which are typically reflected through credit spreads. Credit spreads vary (i. e., increase or decrease) in response to the market’s changing perception of risk and liquidity in a specific issuer or specific sector and are influenced by the credit ratings, and the reliability of those ratings, published by third-party rating agencies. A decline in the quality of our investment portfolio as a result of adverse economic conditions or otherwise could cause additional realized and unrealized losses on our investments. A decline in credit spreads could have an adverse effect on our investment income as we invest cash in new investments that may earn less than the yield of the assets that are being replaced. An increase in credit spreads could have an adverse effect on the fair value of our investment portfolio by decreasing the fair values of investments in our investment portfolio that are sensitive to changes in credit spreads. Any such scenario could materially and adversely affect our business. We pursue hedging strategies in a manner that is consistent with the REIT qualification requirements to reduce our exposure to interest rate fluctuations. The strategies are intended to mitigate the effect of interest rate fluctuations on the fair value of the assets at our TRS as well as debt used to acquire or carry real estate assets at entities other than our TRS. To manage this price risk, we use derivative financial instruments acquired with the intention of moderating the risk that changes in market interest rates will result in unfavorable changes in the fair value of our assets, primarily such as prepayment exposure on our MSR investments, as well as IRLCs and our inventory of loans held for sale as well as MBS and CRTs.** For example, with respect to our IRLCs and inventory of loans held for sale, we may use MBS forward sale contracts to lock in the price at which we will sell the mortgage loans or resulting MBS, and MBS put options to mitigate the risk of our IRLCs not closing at the rate we expect. In addition, with respect to our MSRs, we may use MBS forward purchase and sale contracts to address exposures to smaller interest rate shifts with Treasury and interest rate swap futures, and use options and swaptions to achieve target coverage levels for larger interest rate shocks. Our hedging activity will vary in scope based on the risks being mitigated, the level of interest rates, the type of investments held, and **other changing** market conditions. Hedging instruments involve risk because they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U. S. or foreign governmental authorities, and our interest rate hedging may

fail to protect or could adversely affect us because, among other things: • interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates; • available interest rate hedging instruments may not correspond directly with the interest rate risk for which protection is sought; • the duration of the hedge may not match the duration of the related liability or asset; • the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; • the hedging counterparty owing the money in the hedging transaction may default on its obligation to pay; • the federal tax regulations applicable to REITs limit our hedge activity outside of the TRS to hedging interest rate fluctuations with respect to debt used to acquire or carry real estate assets; and • we may fail to recalculate, re-adjust and execute hedges in an efficient manner. **Any hedging activity, which is intended to limit losses, if unsuccessful, may materially and adversely affect our financial position, operations and cash flows.** ~~Therefore, while~~ **while** we may enter into such transactions seeking to reduce interest rate risk, unanticipated changes in interest rates may result in worse overall investment performance than if we had not engaged in any such hedging transactions. Further, a liquid secondary market may not exist for a hedging instrument purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses. ~~In addition,~~ **The cost of utilizing derivatives may reduce our income that would otherwise be available for distribution to shareholders or for the other purposes, and the derivative instruments that we utilize may fail to effectively hedge our positions. We are also subject to credit risk with regard to the counterparties involved in the derivative transactions.** The degree of correlation between price movements of the instruments used in hedging strategies and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, ~~for a variety of reasons,~~ we may not establish an effective correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such ineffective correlation may prevent us from achieving the intended hedge and expose us to risk of loss. Numerous regulations currently apply to hedging and any new regulations or changes in existing regulations may significantly increase our administrative or compliance costs. Our derivative agreements generally provide for the daily mark to market of our hedge exposures. If a hedge counterparty determines that its exposure to us exceeds its exposure threshold, it may initiate a margin call and require us to post collateral. If we are unable to satisfy a margin call, we would be in default of our agreement, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. ~~Therefore, any hedging activity, which is intended to limit losses, may materially and adversely affect our~~ results of operations and cash flows. In our correspondent production activities, we acquire newly originated loans from mortgage lenders and **PLS that we may later** sell or securitize those loans to or through the Agencies, ~~PLS or other~~ third-party investors ~~or~~ **We also sell the resulting securities** into the MBS markets. However, there can be no assurance that PLS will continue to be successful in operating this business on our behalf or that we will continue to be able to capitalize on these opportunities on favorable terms or at all. In particular, we have committed, and expect to continue to commit, capital and other resources to this operation. PLS may not be able to continue to source sufficient loan acquisition opportunities to justify the expenditure of such capital and other resources. In the event that PLS is unable to continue to source sufficient opportunities for this operation, there can be no assurance that we would be able to acquire such assets on favorable terms or at all, or that such loans, if acquired, would be profitable to us. In addition, we may be unable to finance the acquisition of these loans and / or may be unable to sell the resulting MBS in the secondary mortgage market on favorable terms or at all. We are also subject to the risk that the fair value of the acquired loans may decrease prior to their disposition. The occurrence of any of these risks could adversely impact our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. **Beginning July 1, 2025, PLS will become the initial purchaser of loans from correspondent sellers and begin transferring agreed-upon volumes of such purchases to us. We will retain the right to purchase up to 100 % of PLS' s non- government correspondent production** . Our correspondent production activities depend, in part, upon PLS' and PFSI' s ability to adapt to and implement technological changes and to successfully develop, implement and protect their proprietary technology. Our success in the mortgage industry is highly dependent upon the ability of PLS and PFSI to adapt to constant technological changes, successfully enhance their current information technology solutions through the use of third- party and proprietary technologies, and introduce new solutions and services that more efficiently address our needs. Our correspondent production activities are currently dependent, in part, upon the ability of PLS to effectively interface with our mortgage lenders and other third parties and to efficiently process loan fundings and closings. The correspondent production process is becoming more dependent upon technological advancement, and our correspondent sellers expect and require certain conveniences and service levels. ~~While we anticipate that PLS' and PFSI' s cloud-based system will increase scalability and produce other efficiencies, there can be no assurance that PLS' and PFSI' s cloud-based system will prove to be effective or that such correspondent sellers will easily adapt to PLS' and PFSI' s cloud-based system. Any failure to effectively or timely transition to the new system and meet our expectations and the expectations of our correspondent sellers could have a material adverse effect on our business, financial condition and results of operations.~~ The development, implementation and protection of these technologies and becoming more proficient with them may also require significant capital expenditures by PLS and PFSI. As these technological advancements **increase continue** in the future, PLS and PFSI will need to further develop and invest in these technological capabilities to remain competitive. Moreover, litigation has become required for PLS and PFSI to protect its technologies and such litigation is time consuming and costly. Any failure of PLS and other PFSI subsidiaries to develop, implement, execute or maintain its technological capabilities and any litigation costs associated with the protection of its technologies could adversely affect PLS and other PFSI subsidiaries and their ability to effectively perform their loan production and servicing activities on our behalf, which could adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. Government- insured or guaranteed loans that are typically securitized through the Ginnie Mae program accounted for **47-43** % of our purchases in fiscal year ~~2023~~ **2024** . We are not approved as a Ginnie Mae issuer and rely on PLS to acquire such loans from us. As a result, we are unable to produce or own Ginnie Mae MSR and we earn significantly less income in connection with our acquisition of

government loans as opposed to conventional loans. Further, market demand for government loans over conventional loans may increase or PLS may offer pricing to our approved correspondent sellers for government loans that is more competitive in the market than pricing for conventional loans, the result of which may be our acquisition of a greater proportion of government loans. **Beginning July 1, 2025, PLS will become the initial purchaser of loans from correspondent sellers and we will no longer purchase loans eligible for securitizations guaranteed by Ginnie Mae.** Any significant ~~increase~~ **decrease** in the percentage of ~~non-~~ government loans ~~we acquire~~ **acquired by PLS through the correspondent channel** could adversely impact our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our or our Manager's information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our or our Manager's information systems for purposes of theft of certain personally identifiable information of consumers, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our investor relationships. As our and our Manager's reliance on rapidly changing ~~technologies~~ **technology** has increased, so have the risks posed to our and our Manager's information systems, both ~~internal~~ **proprietary** and those provided to us or our Manager by third-party service providers ~~including such as~~ cloud-based computing service providers. System disruptions and failures caused by unauthorized intrusion, malware, natural disasters and other similar events ~~may have interrupt~~ **interrupted** or ~~delay~~ **delayed** our or our Manager's ability to provide services to our and our Manager's ability to provide services to our customers. **The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, which, in turn, may lead to increased costs to protect or our investors' network and systems.** Despite our and our Manager's efforts to ensure the integrity of our and our Manager's systems and our and our Manager's investment in significant physical and technological security measures, employee training, contractual precautions, policies and procedures, board oversight and business continuity plans, there can be no assurance that any such cyber intrusions will not occur or, if they do occur, that they will be adequately addressed. We and our Manager also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods of attack change frequently ~~or,~~ **have become increasingly sophisticated, including through the use of artificial intelligence, and** may not be recognized until after such attack has been launched, and because security attacks can originate from a wide variety of sources, including third parties such as persons involved with organized crime or associated with third party service providers. Our and our Manager's data security management program includes identity, trust, vulnerability and threat management business processes as well as the adoption of standard data protection policies. We and our Manager are also held accountable for the actions and inactions of our or our Manager's third-party vendors regarding cybersecurity and other consumer-related matters. Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss, loss of confidence in our or our Manager's security measures, customer dissatisfaction, additional regulatory scrutiny, significant litigation exposure and harm to our or our Manager's reputation, any of which could have a material adverse effect on our business, financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. ~~Technology disruptions or failures, including a failure in our information systems or those of third parties with whom we or our Manager does business, could disrupt our or our Manager's business, cause legal or reputational harm and adversely impact our results of operations and financial condition.~~ Many of our and our Manager's services are dependent on the secure, efficient, and uninterrupted operation of our and our third parties' technology infrastructure and information systems. Our and our Manager's information systems must accommodate a high volume of traffic and deliver frequently updated, accurate and timely information. We and our Manager have experienced, and may in the future experience, service disruptions and failures caused by system or software failure, human error or misconduct, external attacks (e. g., computer hackers, hacktivists, nation state-backed hackers), denial of service or information, malicious or destructive code (e. g., ransomware, computer viruses and disabling devices), as well as natural disasters, ~~health-~~ pandemics, strikes, and other similar events, and contingency planning may not be sufficient for all situations. The implementation of technology changes and upgrades to maintain current and integrate new technology systems may also cause service interruptions. Any such disruptions could materially interrupt or delay our or our Manager's ability to provide services to our customers or investors, and could also impair the ability of third parties to provide critical services. If our or our Manager's operations are disrupted or otherwise negatively affected by a technology disruption or failure, this could result in material adverse impacts on our or our Manager's business. Our and our Manager's services rely on software and services from third-party vendors and if any of these services became unavailable or unreliable, it could adversely affect the quality and timeliness of services and adversely impact our results of operations and financial condition. We and our Manager license third-party software and depend on services from various third parties for use in our and our Manager's services. For example, we and our Manager rely on third-party vendors for cloud-based systems and for certain mortgage production and servicing applications. Third-party software applications, products and services are constantly evolving, and we and our Manager may not be able to maintain or modify our or our Manager's information services to ensure its compatibility with third-party offerings following development changes. In addition, some of our or our Manager's competitors, partners, or other service providers may take actions that disrupt the interoperability of our or our Manager's business with their own products or services, or exert strong business influence on our or our Manager's ability to, and the terms on which we or our Manager operates our or its business. Loss of the right to use any third-party software or services could result in decreased functionality of our or our Manager's services until equivalent technology is either developed by us or our Manager or, if available from another provider, is identified, obtained and integrated, which could adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our

shareholders. Furthermore, we and our Manager remain responsible for ensuring that our and our Manager's mortgage loan businesses are in compliance with applicable laws and regulations. Despite our and our Manager's efforts to monitor such compliance, any errors or failures of such third party vendors or their software to perform in the manner intended could result in loan defects potentially requiring repurchase. Many of our and our Manager's third party vendors attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we and our Manager may have additional liability to our clients, borrowers or other third parties that could harm our reputation and increase our operating costs. Any failure to do so could adversely affect our business. The development, proliferation and use of artificial intelligence could give rise to legal and / or regulatory action, damage our reputation or otherwise materially impact our business, financial condition, and liquidity. PLS uses artificial intelligence and we believe the development and proliferation of artificial intelligence will have a significant impact in our industry; however, the incipient nature of artificial intelligence presents risks, challenges, and unintended consequences, including potential defects in the design and development of the technologies used to automate processes, misapplication of technologies, the reliance on data, rules or assumptions that may prove inadequate, information security vulnerabilities and failure to meet customer expectations, among others. This risk affects the adoption and use of this technology to the extent artificial intelligence algorithms and machine learning methods are flawed. For example, the use of artificial intelligence algorithms may raise ethical concerns and legal issues due to perceived or actual unintentional bias in the processing and servicing of mortgage loans. While we and PLS aim to develop and use artificial intelligence responsibly, we and PLS may be unsuccessful in identifying or resolving issues before they arise. Artificial intelligence- related issues, including potential government regulation of artificial intelligence, deficiencies or failures could give rise to legal and regulatory actions, damage our reputation or otherwise materially impact our business, financial condition, and liquidity. Laws and regulations related to artificial intelligence are evolving, and there is uncertainty as to the potential adoption of new laws and regulations that may restrict or impose burdensome and costly requirements on our ability to use artificial intelligence. We and PLS may receive claims from third parties, including our competitors, alleging that the use of artificial intelligence technology infringes on or violates such third party's intellectual property rights. Adverse consequences of these risks related to artificial intelligence could undermine the decisions, predictions or analyses such technologies produce and subject us to competitive harm, legal liability, heightened regulatory scrutiny and brand or reputational harm. We could face significant competition in the market and we may be unable to develop and implement artificial intelligence at the same rate to keep pace with our competitors.

The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulations and conflicting legal requirements. We and our Manager receive, transmit and store a large volume of personally identifiable information and other user data. Moreover, there are various federal and state laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information that could give rise to liabilities. Federal privacy requirements such as those under the Gramm- Leach- Bliley Act and Fair Credit Reporting Act are within the regulatory and enforcement authority of the CFPB and Federal Trade Commission. We and our Manager are also subject to a variety of state laws and regulations that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal information, such as the California Consumer Privacy Act and the California Privacy Rights Act that provide data privacy rights for California consumers, including a private rights of action against businesses that fail to implement reasonable security procedures and practices to prevent data breaches. Failure to comply with any of these privacy laws could result in enforcement actions, including fines and public censure that could result in serious harm to our and our Manager's reputation and have a material adverse effect on our business, financial condition and results of operations and ability to make distributions to our shareholders.

Risks Related to Our Investments In conjunction with our correspondent business, we have previously entered into CRT arrangements with Fannie Mae, whereby we sold pools of loans into Fannie Mae guaranteed securitizations while retaining a portion of the credit risk and an interest- only ("IO") ownership interest in such loans or purchasing Agency securities that absorb losses incurred by such loans. Our CRT- related investments subject us to credit risks associated with delinquency and foreclosure similar to the risks associated with owning the underlying loans, which is greater than the risks associated with selling the loans to Fannie Mae without the retention of such credit risk. Delinquency can result from many factors including unemployment, weak economic conditions or real estate values, or catastrophic events such as man- made or natural disaster, pandemics, war wars and armed conflicts, or terrorist attack attacks. Further, the risks associated with delinquency and foreclosure may in some instances be greater than the risks associated with owning the underlying loans because the structure of certain of the CRT Agreements provides that we may be required to realize losses in the event of delinquency or foreclosure even where there is ultimately no loss realized with respect to the underlying loan (e. g., as a result of a borrower's re- performance). We are also exposed to market risk and, as a result of prevailing market conditions or the economy generally, may be required to recognize losses associated with adverse changes to the fair value of the CRT Agreements. Any loss we incur may be significant and could adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. We invest in residential loans that are typically secured by single- family residential property and are subject to risks and costs associated with delinquency and foreclosure and the resulting risks of loss. Our investments in loans also subject us to the risks of residential real estate and residential real estate- related investments, including, among others: (i) declines in the value of residential real estate; (ii) general and local economic conditions; (iii) lack of available mortgage funding for borrowers to refinance or sell their homes; (iv) overbuilding; (v) increases in property taxes and operating expenses; (vi) changes in zoning laws; (vii) costs resulting from the clean- up of, and liability to third parties for damages resulting from, environmental problems, such as indoor mold; (viii) casualty or condemnation losses; (ix) uninsured damages from floods, earthquakes or other natural disasters; (x) limitations on and variations in rents; (xi) fluctuations in interest rates; (xii) fraud by borrowers, originators and / or sellers of loans; (xiii) undetected deficiencies and / or inaccuracies in

underlying loan documentation and calculations; and (xiv) failure of the borrower to adequately maintain the property. To the extent that assets underlying our investments are concentrated geographically, by property type or in certain other respects, we may be subject to certain of the foregoing risks to a greater extent. We may be required to foreclose on a loan and such actions may subject us to greater concentration of the risks of the residential real estate markets and risks related to the ownership and management of real property. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our investment in the loan, resulting in a loss to us. In addition, the foreclosure process may be lengthy and expensive, and any delays or costs involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property may further reduce the proceeds and thus increase the loss. In the event of the bankruptcy of a loan borrower, the loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Any loss we incur may be significant and could adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. **Our ownership of mortgage servicing rights exposes us to significant prepayment, delinquency, interest rate and regulatory risks.** MSR arise from contractual agreements between us and the investors (or their agents) in mortgage securities and loans and MBS that we service on their behalf. We generally acquire MSRs in connection with our sale of loans to the Agencies where we assume the obligation to service such loans on their behalf. Any MSRs we acquire are initially recorded at fair value on our balance sheet. The determination of the fair value of MSRs requires our management to make numerous estimates and assumptions. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with MSRs based upon assumptions involving interest rates as well as the prepayment rates, delinquencies and foreclosure rates of the underlying serviced loans. The ultimate realization of the MSRs may be materially different than the values of such MSRs as may be reflected in our consolidated balance sheet as of any particular date. Different persons in possession of the same facts may reasonably arrive at different conclusions as to the inputs and assumptions used to determine MSR fair value. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows and ability to make distributions to our shareholders. Accordingly, there may be material uncertainty about the fair value of any MSRs we acquire. Prepayment speeds significantly affect MSRs. Prepayment speed is the measurement of how quickly borrowers pay down the unpaid principal balance of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. We base the price we pay for MSRs on, among other things, our projection of the cash flows from the related pool of loans. Our expectation of prepayment speeds is a significant input to our cash flow projections. If prepayment speed expectations increase significantly, the fair value of the MSRs could decline and we may be required to record a non-cash charge that would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from MSRs, and we could ultimately receive substantially less than what we paid for such assets. Moreover, delinquency **Delinquency** rates have a significant impact on the valuation of any MSRs. An increase in delinquencies generally results in lower revenue because typically we only collect servicing fees from Agencies or mortgage owners when we collect payments from the borrower. Our expectation of delinquencies is also a significant input underlying our cash flow projections. If delinquencies are significantly greater than we expect, the estimated fair value of the MSRs could be diminished. When the estimated fair value of MSRs is reduced, we could suffer a loss, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. Changes in interest rates are a key driver of the performance of MSRs. Historically, the fair value of MSRs has increased when interest rates increase and has decreased when interest rates decrease due to the effect those changes in interest rates have on prepayment estimates. We may pursue, in a manner that is consistent with our qualification as a REIT, various hedging strategies to seek to reduce our exposure to adverse changes in fair value resulting from changes in interest rates. Our hedging activities **activity** will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us. To the extent we do not utilize derivative financial instruments to hedge against changes in fair value of MSRs or the derivatives we use in our hedging activities do not perform as expected, our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders would be more susceptible to volatility due to changes in the fair value of, or cash flows from, MSRs as interest rates change. Furthermore, MSRs and the related servicing activities are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business. We are not independently capable of protecting our MSR assets from borrower refinancing through targeted solicitations to, and origination of, refinance loans for borrowers in our servicing portfolio. Accordingly, unlike traditional **other** mortgage originators **lenders** and many servicers, we must rely upon PLS to refinance loans in our servicing portfolio that would otherwise be targeted by other lenders. PLS has agreed pursuant to the terms of an MSR recapture agreement to transfer cash to us in an amount equal to a tiered recapture fee based on the fair value of the MSRs relating to loans it refinances. There can be no assurance that PLS will either have or allocate the time and resources required to effectively and efficiently protect our MSR assets. Its failure to do so, or the termination of our MSR recapture agreement, could result in accelerated runoff of our MSR assets without offsetting compensation, decreasing its fair value and adversely impacting our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. **MSRs and the related servicing activities are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business.** Our failure to comply, or the failure of the servicer to comply, with the laws, rules or regulations to which we or they are subject by virtue of ownership of MSRs, whether actual or alleged, could expose us to fines, penalties or

potential litigation liabilities, including costs, settlements and judgments, any of which could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. We may change our investment strategies and policies without shareholder consent, and this may materially and adversely affect the market value of our ~~common~~ **Common shares Shares** and our ability to make distributions to our shareholders. PCM is authorized by our board of trustees to follow very broad investment policies and, therefore, it has great latitude in determining the types of assets that are proper investments for us, as well as in making individual investment decisions. PCM may make investments with lower rates of return than those anticipated under current market conditions and / or may make investments with greater risks to achieve those anticipated returns. Although our board of trustees relies on information provided to it by PCM for its investment review, it does not review or approve each proposed investment by PCM unless it falls outside our investment policies or constitutes a related party transaction. Furthermore, PCM may use complex strategies, and transactions entered into by PMT or by PCM on behalf of PMT may be costly, difficult or impossible to unwind by the time they are reviewed by our board of trustees. We also may change our investment strategies and policies and targeted asset classes at any time without the consent of our shareholders, and this could result in our making investments that are different in type from, and possibly riskier than our current investments or the currently contemplated investments. Changes in our investment strategies and policies and targeted asset classes may expose us to new risks or increase our exposure to interest rate risk, counterparty risk, default risk and real estate market fluctuations, and this could materially and adversely affect the market value of our ~~common~~ **Common shares Shares** and our ability to make distributions to our shareholders. Investments in subordinate loans and ~~mortgage securities~~ **subordinate or credit-linked MBS** could subject us to increased risk of losses. Our investments in subordinate loans ~~and mortgage securities~~ **or subordinate or credit-linked MBS** could subject us to increased risk of losses. The contractual restrictions on transfer, risk retention requirements or the illiquidity of our investments may make it difficult for us to sell such investments if the need or desire arises. In the event a borrower defaults on a ~~subordinate loan~~ **loans** and lacks sufficient assets to satisfy such loan, we may lose all or a significant part of our investment. In the event a borrower on a ~~subordinated~~ **subordinate** loan becomes subject to bankruptcy proceedings, we will not have any recourse to the assets, if any, of the borrower that are not pledged to secure our loan. If a borrower defaults on our loan or on its senior debt (i. e., a first- lien loan), or in the event of a borrower bankruptcy, our subordinate loan will be satisfied only after all senior debt is paid in full. As a result, we may not recover all or even a significant part of our investment, which could result in losses. In general, losses on real estate assets securing a loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit provided by the borrower, if any, and then by the “ first loss ” subordinate security holder and then by the “ second loss ” subordinate security holder. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which we invest, we may not recover all or even a significant part of our investment, which could result in losses. If the underlying mortgage portfolio has been serviced ineffectively by the loan servicer or if the fair values of the assets subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related ~~mortgage MBS, the securities~~ **, in which we invest** may suffer significant losses. The fair value of subordinate ~~loans or subordinate or credit-linked~~ investments are generally more sensitive to adverse actual or perceived economic downturns or individual issuer developments than more highly rated investments. In addition, the liquidity of the ~~MBS~~ **mortgage securities** market may be impacted by future sales and reallocations of the Federal Reserve’ s MBS portfolio, resulting in wider mortgage- backed security spreads. An economic downturn or a projection of an economic downturn, for example, could cause a decline in the price of lower credit quality investments because the ability of obligors to make principal and interest payments or to refinance may be impaired. Climate change, adverse weather conditions, man- made or natural disasters, pandemics, **wars and armed conflicts**, terrorist attacks and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service ~~, as well as geographic areas where we conduct business~~. In addition, such adverse conditions and long term physical and environmental changes could impact the demand for, and value of, our assets, as well as the cost to service or manage such assets, or directly impact the value of our assets through damage, destruction or loss, and thereafter materially impact the availability or cost of insurance to protect against these events. Real estate value declines could also decrease the value supporting certain of our assets, such as CRTs and subordinate bonds, where we may provide a credit guaranty or otherwise be responsible for all or a portion of any credit losses. Upon the occurrence of a catastrophic event, we may be unable to continue our operations and may endure significant business interruptions, reputational harm, delays in servicing our customers and working with our partners, interruptions in the availability of our technology and systems, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results. Catastrophic events may also be uninsurable or not economically insurable and might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. There is an increasing global concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change may include rising average global temperatures, rising sea levels and an increase in the frequency and severity of extreme weather events and natural disasters, including floods, wildfires, hurricanes and tornados, and these events could impact our owned real estate and the properties collateralizing our loan assets or underlying our MSR assets and the local economies of certain areas in which we operate. Although we believe our owned real estate and the properties collateralizing our loan assets or underlying our MSR assets are appropriately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance. There also is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to payment claims due to a deterioration in its financial condition or may even cancel policies due to increasing costs of providing insurance coverage in certain geographic areas. Numerous treaties, laws and regulations have been enacted or proposed in an effort to regulate climate change, including regulations aimed at limiting greenhouse gas emissions and the implementation of “ green ” building

codes. These laws and regulations may impact the rates at which we obtain property insurance and result in increased operating costs, or impose substantial costs on our borrowers or affect their ability to obtain appropriate coverage at reasonable costs. We may also incur costs associated with increased regulations or investor requirements for increased environmental and social disclosures and reporting. Additionally, climate change concerns could result in transition risk. Changes in consumer preferences and additional legislation and regulatory requirements, including those associated with a transition to a low- carbon economy, could increase expenses or otherwise adversely impact our operations and business. Many of our investments are unrated or, where any credit ratings are assigned to our investments, they will be subject to ongoing evaluations and revisions and we can provide no assurance that those ratings will not be downgraded. Many of our current investments are not, and many of our future investments will not be, rated by any rating agency. Therefore, PCM' s assessment of the fair value and pricing of our investments may be difficult and the accuracy of such assessment is inherently uncertain ; ~~however, certain of our investments may be rated~~. If rating agencies assign a lower- than expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our investments in the future, the fair value of these investments could significantly decline, which would materially and adversely affect the fair value of our investment portfolio and could result in investment losses. Our assets are not subject to any geographic, diversification or concentration limitations except that we will be concentrated in mortgage- related investments. Accordingly, our investment portfolio may be concentrated by geography, asset, property type and / or borrower, increasing the risk of loss to us if the particular concentration in our portfolio is subject to greater risks or is undergoing adverse developments. Adverse conditions in the areas where the properties securing or otherwise underlying our investments are located (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply or reduced demand) may have an adverse effect on the fair value of our investments. A material decline in the demand for real estate in these areas may materially and adversely affect us. Concentration or a lack of diversification can increase the correlation of non- performance and foreclosure risks among our investments. Our investments in MSR, CRT, and securities and loans held in consolidated variable interest entities may be illiquid. As a result, it may be difficult or impossible to obtain or validate third- party pricing on the investments we purchase. Illiquid investments typically experience greater price volatility and can be more difficult to value as a ready market does not exist. The contractual restrictions on transfer or the illiquidity of certain of our investments, including subordinate securities we are required to hold under applicable risk retention rules, may make it difficult for us to sell such investments if the need or desire arises, which could impair our ability to satisfy margin calls or certain REIT tests. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the recorded value, or may not be able to obtain any liquidation proceeds at all, thus exposing us to a material or total loss. The fair values of some of our investments are not readily determinable ~~and~~ . ~~We measure the fair value of these investments monthly, but~~ the fair value at which our assets are recorded may differ from the values we ultimately realize . **Many of our assets and liabilities are complex financial instruments, have limited or unobservable data points, and are reported at fair value though we may have challenges in determining and supporting a fair value that is reflective of a market participant' s view of comparable financial assets** . Ultimate realization of the fair value of an asset depends to a great extent on economic and other conditions that change during the period over which the investment is held and are beyond the control of PCM, us or our board of trustees. ~~Further~~ **In addition** , ~~for certain~~ **the fair value of illiquid** investments that are not actively traded ~~are~~ , ~~fair value is an estimate~~ **estimated** based on good faith judgment of the price at which an investment can be sold since transacted prices of investments can only be determined by negotiation between a willing buyer and seller. In certain cases, PCM' s estimation of the fair value of our investments includes inputs provided by third- party dealers and pricing services, and valuations of certain securities or other assets in which we invest are often difficult to obtain and are subject to judgments that may vary among market participants. Changes in the estimated fair values of those assets are directly charged or credited to earnings for the period. If we were to liquidate a particular asset, the realized value may be more than or less than the amount at which such asset was recorded. Accordingly, in either event, the fair value of our ~~common~~ **Common Shares** ~~Shares~~ could be materially and adversely affected by our determinations regarding the fair value of our investments, and such valuations may fluctuate over short periods ~~our~~ **results of operations** . Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could impact our financial statements. Accounting rules for mortgage loan sales and securitizations, valuations of financial instruments and MSR, investment consolidations, income taxes and other aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our shareholders , ~~and~~ **could** also increase the risk of errors and restatements, as well as the cost of compliance. Our inability to timely prepare our financial statements in the future would likely be considered a breach of our financial covenants and adversely affect our share price significantly. Changes in accounting interpretations and assumptions, as well as accounting rule misinterpretations, could result in differences in our financial results or otherwise have a material adverse effect on our business, financial condition, liquidity and results **of operations** . PCM utilizes analytical models and data in connection with the valuation of our investments, and any incorrect, misleading or incomplete information used in connection therewith would subject us to potential risks. Given the illiquidity and complexity of our investments and strategies, PCM must rely heavily on models and data, including analytical models (both proprietary models developed by PCM and those supplied by third parties) and information and data supplied by third parties. **Models and data are used to value investments or potential investments and also in connection with hedging our investments. Fair value determinations require many assumptions and complex analyses, especially to the extent there are no active markets for identical assets. For example, the fair value estimate of our MSR investment is based on the cash flows projected to result from the servicing of the related mortgage loans and continually fluctuates due to a number of factors. These factors include prepayment speeds, interest rate changes, costs to service the loans and other market conditions. PCM uses internal financial models that utilize an understanding of inputs used by market**

participants to value our MSR to determine the price that we pay for portfolios of MSR and to acquire loans for which we will retain MSR. These models are complex and use asset - specific collateral data and market inputs for interest and discount rates. In addition, the modeling requirements of MSR are complex because of the high number of variables that drive cash flows associated with MSR. We may also encounter analytical results that may be inconsistent or inaccurate with other market observations as we update our valuation model. Valuations are highly dependent upon the reasonableness of our inputs and the results of the models. For example, if loan delinquencies or prepayment speeds are different than anticipated or other factors perform differently than modeled, the recorded fair value of certain of our MSR may change. Significant differences in performance could increase the chance that we do not adequately estimate the effect of these factors on our valuations which could result in misstatements of our financial results, restatements of our financial statements, or otherwise materially and adversely affect our business, financial condition, liquidity and results of operations.

If any third- party information is intentionally or negligently misrepresented and such misrepresentation is not detected, then our model and data results could be materially impacted. Models and data are used to value investments or potential investments and also in connection with hedging our investments. In the event models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose us to potential risks. For example, by relying on incorrect models and data, especially valuation models, PCM may invest be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful. We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, financial condition, liquidity and results of operations. In connection with our correspondent production activities, we may rely on information furnished by or on behalf of borrowers and counterparties, including financial statements and other financial information. We also may rely on representations of borrowers and counterparties as to the accuracy and completeness of that information and, with respect to audited financial statements, on reports of independent auditors. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the fair value of the loan may be significantly lower than expected. Our controls and processes may not have detected or may not detect all misrepresented information in our loan acquisitions or from our business clients. Any such misrepresented information could materially and adversely affect our business, financial condition, results of operations and our ability to make distributions to our shareholders.

We are subject to counterparty risk and may be unable to seek indemnity or require our counterparties to repurchase loans if they breach representations and warranties, which could cause us to suffer losses. When we purchase mortgage assets, our counterparty typically makes customary representations and warranties to us about such assets. Our residential loan purchase agreements may entitle us to seek indemnity or demand repurchase or substitution of the loans in the event our counterparty breaches a representation or warranty given to us. However, there can be no assurance that our loan purchase agreements will contain appropriate representations and warranties, that we will be able to enforce our contractual right to demand repurchase or substitution, or that our counterparty will remain solvent or otherwise be willing and able to honor its obligations under our loan purchase agreements. Our inability to obtain indemnity or require repurchase of a significant number of loans could materially and adversely affect our business, financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. When we sell loans, we are required to make customary representations and warranties about such loans to the loan purchaser. As part of our correspondent production activities, PLS re- underwrites a percentage of the loans that we acquire, and we rely upon PLS to ensure quality underwriting by our correspondent sellers, accurate third- party appraisals, and strict compliance with the representations and warranties that we require from our correspondent sellers and that are required from us by our investors. Our residential loan sale agreements may require us to repurchase or substitute loans or indemnify the purchaser against future losses in the event we breach a representation or warranty given to the loan purchaser or in the event of an early payment default on a loan. The remedies available to the Agencies, other purchasers and insurers of loans may be broader than those available to us against the originator or correspondent lender, and if a purchaser or insurer enforces its remedies against us, we may not be able to enforce the remedies we have against the sellers. The repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. Repurchased loans are also typically sold at a discount to the unpaid principal balance, which in some cases can be significant. Significant repurchase activity could materially and adversely affect our business, financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. Our counterparties may terminate our MSR, which could adversely affect our business, financial condition, liquidity and results of operations. As is standard in the industry, under the terms of our master servicing agreements with the Agencies in respect of Agency MSR that we retain in connection with our loan production, the Agencies have the right to terminate us as servicer of the loans we service on their behalf at any time (and, in certain instances, without the payment of any termination fee) and also have the right to cause us to sell the MSR to a third party. In addition, our failure to comply with applicable servicing guidelines could result in our termination under such master servicing agreements by the Agencies with little or no notice and without any compensation. The owners of other non-Agency loans that we service may also terminate certain of our MSR if we fail to comply with applicable servicing guidelines. If the MSR are terminated on a material portion of our servicing portfolio, our business, financial condition, liquidity and results of operations could be adversely affected. During any period in which a borrower is not making payments, we may be required under our servicing agreements in respect of our MSR to advance our own funds to pay property taxes and insurance premiums, legal expenses and other protective advances, and may be required to advance principal and interest payments to security holders of the MBS into which the loans are sold. We also advance funds under these agreements to maintain, repair and market real estate properties on behalf of investors. As home values change, we may have to reconsider certain of the assumptions underlying our decisions to make advances and, in certain situations, our contractual obligations may require us to make advances for which we may not be reimbursed. In addition, if a loan serviced by us is in default or becomes delinquent,

the repayment to us of the advance may be delayed until the loan is repaid or refinanced or a liquidation occurs. Federal, state or local regulatory actions may also result in an increase in the amount of servicing advances that we are required to make, lengthen the time it takes for us to be reimbursed for such advances and increase the costs incurred while the loan is delinquent. **In addition, the average share of borrowers' mortgage payments allocated to property taxes and insurance premiums has been steadily rising in recent years due to inflation and other factors, which could impact housing affordability, mortgage delinquencies, defaults, and foreclosures.** A delay in our ability to collect advances may adversely affect our liquidity, and our inability to be reimbursed for advances could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders.

Risks Related to Our Management and Relationship with Our Manager and Its Affiliates We are externally advised and managed by PCM, a subsidiary of PFSI, and we also have other separate contract agreements with other PFSI subsidiaries, such as PLS, to provide various services. Under our management agreement, PCM makes all or substantially all of our investment, financing and risk management decisions, and has significant discretion as to the implementation of our operating policies and strategies. Under our loan servicing agreement with PLS, PLS provides servicing for our portfolios of loans and MSR, and under our mortgage banking services agreement with PLS, PLS provides fulfillment and disposition- related services in connection with our correspondent production business. The costs of these services impact our operating costs and may reduce our net income, but we rely on PCM and PLS to provide these services under these contractual agreements because we have limited in- house capabilities to perform the activities independently. No assurance can be given that the strategies of PCM, PLS or their affiliates under any of these agreements will be successful, that any of them will conduct complete and accurate due diligence or provide sound advice, or that any of them will act in our best interests with respect to the allocation of their resources to our business. The failure of any of them to do any of the above, conduct the business in accordance with applicable laws and regulations or hold all licenses or registrations necessary to conduct the business as currently operated would materially and adversely affect our ability to continue to execute our business plan. In addition, the terms of these agreements extend until **June 30, December 31, 2025-2029**, subject to automatic renewal for additional 18- month periods, but any of the agreements may be terminated earlier under certain circumstances or otherwise not- renewed. If any agreement is terminated or not renewed and not replaced by a new agreement, it would materially and adversely affect our ability to continue to execute our business plan. If our management agreement, **mortgage banking services agreement** or loan servicing agreement is terminated or not renewed, we will have to obtain the services from another service provider. We may not be able to replace these services in a timely manner or on favorable terms, or at all. With respect to our mortgage banking services agreement, the services provided by PLS are inherently unique and not widely available, if at all. **In addition, since** ~~This is particularly true because~~ we are not a Ginnie Mae licensed issuer, ~~yet~~ we are able to acquire government loans from our correspondent sellers that we know will ultimately be purchased from us by PLS. While we generally have exclusive rights to these services from PLS during the term of our mortgage banking services agreement, in the event of a termination we may not be able to replace these services in a timely manner or on favorable terms, or at all, and we ultimately would be required to compete against PLS as it relates to our correspondent business activities. The failure of PLS or any other servicer to effectively service our portfolio of MSR and loans would materially and adversely affect us. Pursuant to our loan servicing agreement, PLS provides us with prime and special servicing. PLS' loan servicing activities include collecting principal, interest and escrow account payments, if any, with respect to loans, as well as managing loss mitigation, which may include, among other things, collection activities, loan workouts, modifications, foreclosures, short sales and sales of REO. The ability of PLS or any other servicer or subservicer to effectively service our portfolio of loans is critical to our success, particularly given our large investment in MSR or in the case of nonperforming loans, effecting property resolutions in a timely, orderly and economically efficient manner. The failure of PLS or any other servicer or subservicer to effectively service our portfolio of MSR and loans would adversely impact our business, financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. **In addition, our ability, through PLS, to promptly foreclose upon defaulted loans and liquidate the underlying real property plays a critical role in our valuation of the assets in which we invest and our expected return on those investments. There are a variety of factors that may inhibit our ability, through PLS, to foreclose upon a loan and liquidate the real property within the time frames we model as part of our valuation process or within the statutes of limitation under applicable state law, and this could increase our cost of doing business and / or diminish the expected return on investment.** Pursuant to our management agreement, PCM is entitled to receive a base management fee that is based on our shareholders' equity (as defined in our management agreement) each quarter. As a result, significant base management fees would be payable to PCM for a given quarter even if we experience a net loss during that quarter. PCM' s right to non- performance- based compensation may not provide sufficient incentive to PCM to devote its time and effort to source and maximize risk- adjusted returns on our investment portfolio, which could, in turn, materially and adversely affect the market price of our ~~common~~ **Common Shares** and / or our ability to make distributions to our shareholders. Conversely, PCM is also entitled to receive incentive compensation under our management agreement based on our performance on **an annual a rolling four quarter** basis. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on our net income may lead PCM to place undue emphasis on higher yielding investments and the maximization of short- term income at the expense of other criteria, such as preservation of capital, maintenance of sufficient liquidity and / or management of market risk, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier and more speculative. The servicing fee structure could create a conflict of interest. For its services under our loan servicing agreement, PLS is entitled to servicing fees that we believe are competitive with those charged by other loan servicers and include fixed per- loan monthly amounts based on the delinquency, bankruptcy and / or foreclosure status of the serviced loan or the REO, as well as activity fees that generally are fixed dollar amounts. PLS is also entitled to customary ancillary income and certain market- based fees and charges, including boarding and deboarding fees, liquidation and disposition fees, and assumption, modification and origination fees.

Because certain of these fees are earned upon reaching a specific milestone, this fee structure may provide PLS with an incentive to foreclose more aggressively or liquidate assets for less than their fair value. **Termination** On our behalf, PLS may also refinance performing loans and originate new loans to facilitate the disposition of real estate that we acquire. In order to provide PLS with an incentive to produce such loans, PLS is entitled to receive origination fees and other compensation based on market-based pricing and terms that are consistent with the pricing and terms offered by PLS to unaffiliated third parties on a retail basis. This may provide PLS with an incentive to refinance a greater proportion of our loans than it otherwise would and /or to refinance loans on our behalf instead of arranging the refinancing with a third-party lender, either of which might give rise to a potential or perceived conflict of interest. It is difficult and costly to terminate, without cause, our management agreement **and / or servicing agreements with PCM and PLS, which are wholly- owned subsidiaries of PFSI, would be difficult and could result in a significant termination fee or loss**. ~~Our~~ **In December 2024, we and / or certain of our subsidiaries entered into a revised management agreement, a revised loan servicing agreement, a revised mortgage banking agreement and a revised MSR recapture agreement with PCM and PLS, which are wholly- owned subsidiaries of PFSI, and it would be difficult and costly to terminate these related party agreements. For example, our** management agreement provides that it may be terminated by us without cause under limited circumstances with the payment to PCM of a significant termination fee. The cost to us of terminating our management agreement may adversely affect our desire or ability to terminate our management agreement with PCM without cause. PCM may also terminate our management agreement upon at least 60 days' prior written notice if we default in the performance of any material term of our management agreement and the default continues for a period of 30 days after written notice to us, or where we terminate our loan servicing agreement, our mortgage banking services agreement or certain other of our related party agreements with PCM or PLS without cause (at any time other than at the end of the current term or any automatic renewal term), whereupon in any case we would be required to pay to PCM a significant termination fee. **In addition As a result, under our desire or our MSR recapture agreement the compensation that PFSI is required to pay us to refinance our loans may disincentivize PLS from refinancing our loans rather than PLS' s loans and we may not receive the full recapture benefits for our loans. Our** ability to terminate any of our related party agreements may be adversely affected to the extent such termination would trigger the right of PCM to terminate the management agreement and **could result in our obligation to pay PCM a significant termination fee or loss**. Our relationship with PFSI, PCM and PLS may result in conflicts of interest. Although our agreements with PFSI' s subsidiaries, PCM and PLS, provide us with certain exclusivity and other rights and we and PCM have adopted policies to specifically address some of the conflicts relating to our investment opportunities, there is no assurance that these measures will be adequate to address all of the conflicts that may arise or will address such conflicts in a manner that is favorable to us. In addition, PCM, its affiliates and other entities or accounts that may be managed by PCM or an affiliate in the future may participate in some of our investments, which may not be the result of arm' s length negotiations and may involve or later result in potential conflicts between our interests in the investments and those of PCM, its affiliates or such other entities. We may encounter conflicts of interest in our Manager' s efforts to appropriately allocate its time and services between activities of PFSI and the management of us, and the loss of the services of our Manager' s management team could adversely affect us. Pursuant to our management agreement, our Manager is obligated to provide us with the services of its senior management team, and the members of that team are required to devote such time to us as is necessary and appropriate, commensurate with our level of activity. The members of our Manager' s senior management team may have conflicts in allocating their time and services between the operations of PFSI and our activities, and other entities or accounts that they may manage in the future. Consequently, we may not receive the level of support and assistance that we otherwise might receive if we were internally managed. **Our failure to appropriately address various..... condition, liquidity and results of operations**. PCM and PLS both have limited liability and indemnity rights. Our agreements with PCM and PLS provide that PCM and PLS will not assume any responsibility other than to provide the services specified in the applicable agreements. Our management agreement further provides that PCM will not be responsible for any action of our board of trustees in following or declining to follow its advice or recommendations. In addition, each of PCM and PLS and their respective affiliates, including each such entity' s managers, officers, trustees, directors, employees and members, will be held harmless from, and indemnified by us against, certain liabilities on customary terms. As a result, to the extent we are damaged through certain actions or inactions of PCM or PLS, our recourse is limited and we may not be able to recover our losses. Risks Related to Our Organization and Structure Certain provisions of the Maryland General Corporation Law (the "MGCL ") applicable to a Maryland real estate investment trust may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of our ~~common~~ **Common shares Shares** with the opportunity to realize a premium over the then prevailing market price of our ~~common~~ **Common shares Shares**. In addition, our board of trustees is divided into three classes of trustees. Trustees of each class will be elected for three- year terms upon the expiration of their current terms, and each year one class of trustees will be elected by our shareholders. The staggered terms of our trustees may reduce the possibility of a tender offer or an attempt at a change in control, even though a tender offer or change in control might be in the best interests of our shareholders. Further, our declaration of trust authorizes us to issue additional authorized but unissued ~~common~~ **Common shares Shares** and preferred shares. Our board of trustees may, without shareholder approval, increase the aggregate number of our authorized common shares or the number of shares of any class or series that we have authority to issue and classify or reclassify any unissued ~~common~~ **Common shares Shares** or preferred shares and may set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board may establish a class or series of ~~common~~ **Common shares Shares** or preferred shares or take other actions that could delay or prevent a transaction or a change in our control that might involve a premium price for our ~~common~~ **Common shares Shares** or otherwise be in the best interests of our shareholders. Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit shareholder recourse in the event of actions not in the best interest of our shareholders. Our declaration of trust limits the liability of our present and

former trustees and officers to us and our shareholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former trustees and officers will not have any liability to us or our shareholders for money damages other than liability resulting from either ~~the (a)~~ actual receipt of an improper benefit or profit in money, property or services or ~~(b)~~ active and deliberate dishonesty by the trustee or officer that was established by a final judgment and is material to the cause of action. Our declaration of trust authorizes us to indemnify our present and former trustees and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each present and former trustee or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former trustees and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our shareholders may have more limited rights against our present and former trustees and officers than might otherwise exist absent the current provisions in our declaration of trust and bylaws or that might exist with other companies, which could limit shareholder recourse in the event of actions not in the best interest of our shareholders. Our declaration of trust contains provisions that make removal of our trustees difficult, which could make it difficult for our shareholders to effect changes to our management. Our declaration of trust provides that, subject to the rights of holders of any series of preferred shares, a trustee may be removed only for “ cause ” (as defined in our declaration of trust), and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of trustees. Vacancies generally may be filled only by a majority of the remaining trustees in office, even if less than a quorum, for the full term of the class of trustees in which the vacancy occurred. These requirements make it more difficult to change our management by removing and replacing trustees and may prevent a change in our control that is in the best interests of our shareholders. Our bylaws include an exclusive forum provision that could limit our shareholders’ ability to obtain a judicial forum viewed by the shareholders as more favorable for disputes with us or our trustees or officers. Our bylaws provide that the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty; any action asserting a claim against us arising pursuant to any provision of the Maryland REIT Law; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision may limit a shareholder’ s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our trustees or officers, which may discourage such lawsuits against us and our trustees and officers. Alternatively, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition. Because we are organized as a holding company that conducts business primarily through the Operating Partnership and its wholly- owned subsidiaries, our status under the Investment Company Act is dependent upon the status of our Operating Partnership which, as a holding company, in turn, will have its status determined by the status of its subsidiaries. If our Operating Partnership or one or more of its subsidiaries fail to maintain their exceptions or exclusions from the Investment Company Act and we do not have available to us another basis on which we may avoid registration, we may have to register under the Investment Company Act. This could subject us to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), portfolio composition, including restrictions with respect to diversification and industry concentration, and other matters. It could also cause the breach of covenants we or our subsidiaries have made under certain of our financing arrangements, which could result in an event of default, acceleration of debt and / or termination. There can be no assurance that the laws and regulations governing the Investment Company Act status of REITs, including guidance and interpretations from the Division of Investment Management of the SEC regarding the exceptions and exclusions therefrom, will not change in a manner that adversely affects our operations. If the SEC takes action that could result in our or our subsidiaries’ failure to maintain an exception or exclusion from the Investment Company Act, we could, among other things, be required to ~~(a)~~ restructure our operations to avoid being required to register as an investment company, ~~(b)~~ effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so or ~~(c)~~ register as an investment company (which, among other things, would require us to comply with the leverage constraints applicable to investment companies), any of which could negatively affect the value of our ~~common~~ **Common Shares**, the sustainability of our business model, our financial condition, liquidity, results of operations and ability to make distributions to our shareholders. Further, a loss of our Investment Company Act exceptions or exclusions would allow PCM to terminate our management agreement with us, and our loan servicing agreement with PLS is subject to early termination in the event our management agreement is terminated for any reason. If either of these agreements is terminated, we will have to obtain the services on our own, and we may not be able to replace these services in a timely manner or on favorable terms, or at all. This would have a material adverse effect on our ability to continue to execute our business strategy and would likely negatively affect our financial condition, liquidity, results of operations and ability to make distributions to our shareholders. We intend to operate so that we and each of our subsidiaries are not required to register as investment companies under the Investment Company Act. ~~We believe that our subsidiary, PMC, qualifies for one or more exemptions under the Investment Company Act because of the historical and current composition of its assets and income;~~ however, there can be no ~~assurances~~ **assurance** that the composition of PMC’ s assets and income will remain the same over time such that one or more ~~of the exemptions~~ **exceptions and exclusions from the Investment Company Act** will continue to be applicable **to us and our subsidiaries**. If PMC is required to register as an investment company, we would be required to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things: limitations on capital structure; restrictions on specified investments; prohibitions on transactions with affiliates; compliance with reporting, record keeping, voting and proxy disclosure; and, other rules and regulations that would significantly increase our operating expenses. Further, if

PMC was or is required to register as an investment company, PMC would be in breach of various representations and warranties contained in its financial arrangements resulting in a default as to certain of our contracts and obligations. This could also subject us to civil or criminal actions or regulatory proceedings, or result in a court appointed receiver to take control of us and liquidate our business, any or all of which could have a material adverse effect on our business, financial condition, liquidity, results of operations, and ability to make distributions to our shareholders. Rapid changes in the fair values of our investments may make it more difficult for us to maintain our REIT qualification or exclusion from the Investment Company Act. If the fair value or income potential of our residential loans and other real estate- related assets declines as a result of increased interest rates, prepayment rates or other factors, we may need to increase certain real estate investments and income and / or liquidate our non- qualifying assets in order to maintain our REIT qualification or exclusion from the Investment Company Act. If the decline in real estate asset values and / or income occurs quickly, this may be especially difficult to accomplish, particularly given the illiquid nature of many of our investments. We may have to make investment decisions, including the liquidation of investments at a disadvantageous time or on unfavorable terms, that we otherwise would not make absent our REIT and Investment Company Act considerations, and such liquidations could have a material adverse effect on our business, financial condition, liquidity, results of operations, and ability to make distributions to our shareholders.

Risks Related to Taxation We are organized and operate in a manner so as to qualify as a REIT for U. S. federal income tax purposes. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. If we were to lose our REIT status in any taxable year, corporate- level income taxes, including applicable state and local taxes, would apply to all of our taxable income at federal and state tax rates, and distributions to our shareholders would not be deductible by us in computing our taxable income. In addition, we could possibly be subject to the corporate alternative minimum tax and the 1 % excise tax on share repurchases (and certain economically similar transactions) ~~effective for taxable years beginning after December 31, 2022~~. Any such tax liabilities could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn would have an adverse impact on the value of our ~~common~~ **Common Shares**. Unless we were entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. Any of these taxes would decrease cash available for distribution to our shareholders. We also engage in business activities that are required to be conducted in a TRS. In order to meet the REIT qualification requirements, or to avert the imposition of a 100 % tax that applies to certain gains derived by a REIT from dealer property or inventory, we hold a significant portion of our assets through, and **may** derive a significant portion of our taxable income and gains in, a TRS, subject to the limitation that securities in a TRS may not represent more than 20 % of our assets in order for us to remain qualified as a REIT. All taxable income and gains derived from the assets held from time to time in our TRS are subject to regular corporate income taxation. In addition, although REITs are not subject to the corporate alternative minimum tax, a TRS may be subject to this tax if a TRS' s three- year average annual adjusted financial statement income exceeds \$ 1 billion. Currently, no more than 20 % of the value of a REIT' s assets may consist of stock or securities of one or more TRSs at the end of each quarter. We may potentially have to modify our activities or the capital structure of one or more TRSs to comply with this limitation and maintain our qualification as a REIT. While we intend to manage our affairs so as to satisfy this requirement, there can be no assurance that we will be able to do so in all market circumstances and even if we are able to do so, compliance with this rule may reduce our flexibility in **pursuing certain investment strategies or** operating our business. Although a TRS is subject to U. S. federal, state and local income tax on its taxable income, we may from time to time need to make distributions of such after- tax income in order to keep the value of our TRS below 20 % of our total assets. However, for purposes of one of the tests we must satisfy to qualify as a REIT, at least 75 % of our gross income must in each taxable year generally be from real estate assets. While we monitor our compliance with both this income test and the limitation on the percentage of our assets represented by TRS securities, the two may at times be in conflict with one another. That is, it is possible that we may wish to distribute a dividend from a TRS in order to reduce the value of our TRS below 20 % of the required percentage of our assets, but be unable to do so without violating the requirement that 75 % of our gross income in the taxable year be derived from real estate assets. There can be no assurance that we will be able to comply with either or both of these tests in all market conditions. Our inability to comply with both of these tests could have a material adverse effect on our business, financial condition, liquidity, results of operations, qualification as a REIT and ability to make distributions to our shareholders. Ordinary dividends payable by REITs do not generally qualify for the reduced tax rates applicable to certain corporate dividends. The Internal Revenue Code provides for a 20 % maximum federal income tax rate for dividends paid by regular United States corporations to eligible domestic shareholders that are individuals, trusts or estates (**" domestic non- corporate shareholders "**). Dividends paid by REITs are generally not eligible for these reduced rates **under** ~~H. R. 1, commonly known as the 2017 Tax Cuts and Job Act~~ **and** ~~(the " Tax Act ")~~, which was enacted on December 22, 2017, generally may allow domestic **non- corporate** shareholders to deduct from their taxable income one- fifth of the REIT ordinary dividends payable to them for taxable years beginning after December 31, 2017 and before January 1, 2026. To qualify for this deduction, the **domestic non- corporate** shareholder receiving such dividend must hold the dividend- paying REIT shares for at least 46 days (taking into account certain special holding period rules) of the 91- day period beginning 45 days before the shares become ex- dividend, and cannot be under an obligation to make related payments with respect to a position in substantially similar or related property. However, even if a domestic **non- corporate** shareholder qualifies for this deduction, the effective rate for such REIT dividends still remains higher than rates for regular corporate dividends paid to high- taxed individuals. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive as a

federal income tax matter than investments in the stocks of non-REIT corporations that pay dividends, which could materially and adversely affect the value of the stock of REITs, including our ~~common~~ **Common Shares**. Some of our early CRT investments may not be eligible REIT assets and are held by our TRS, resulting in a significant portion of our income from these investments being subject to U. S. federal and state income taxation in order not to jeopardize our REIT status. Some of our recent CRT investments have been structured to satisfy our REIT qualification requirements. However, our other CRT investments may not be considered eligible REIT assets and are therefore held by our TRS in order not to jeopardize our REIT status. Income from CRT investments that are held in the TRS may be subject to U. S. federal and state income taxation. In the future we may consider holding other CRT investments in the REIT, depending on the precise structure of such investments and our level of certainty that such investments are in a form consistent with their characterization as qualifying assets for a REIT. If the Internal Revenue Service (“IRS”) were to take a position adverse to our interpretation, the consequences of such action could materially and adversely affect our business, financial condition, liquidity, results of operations, and our ability to make distributions to our shareholders. We have not established a minimum distribution payment level and no assurance can be given that we will be able to make distributions to our shareholders in the future at current levels or at all. We are generally required to distribute to our shareholders at least 90 % of our taxable income each year for us to qualify as a REIT under the Internal Revenue Code, which requirement we currently intend to satisfy. To the extent we satisfy the 90 % distribution requirement but distribute less than 100 % of our taxable income, we will be subject to U. S. federal corporate income tax on our undistributed taxable income. We have not established a minimum distribution payment level, and our ability to make distributions to our shareholders may be materially and adversely affected by the risk factors discussed in this Report and any subsequent Quarterly Reports on Form 10- Q. Although we have made, and anticipate continuing to make, quarterly distributions to our shareholders, our board of trustees has the sole discretion to determine the timing, form and amount of any future distributions to our shareholders, and such determination will depend upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our board of trustees may deem relevant from time to time. Among the factors that could impair our ability to continue to make distributions to our shareholders are: • our inability to invest the net proceeds from our equity offerings; • our inability to make attractive risk- adjusted returns on our current and future investments; • non- cash earnings or unanticipated expenses that reduce our cash flow; • defaults in our investment portfolio or decreases in its value; • reduced cash flows caused by delays in repayment or liquidation of our investments; and • the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates. As a result, no assurance can be given that we will be able to continue to make distributions to our shareholders in the future or that the level of any future distributions will achieve a market yield or increase or even be maintained over time, or that future dividends might not be a combination of ~~common~~ **Common Shares** and cash, as permitted under **Internal Revenue Service (“IRS”)** guidelines, any of which could materially and adversely affect the market price of our ~~common~~ **Common Shares**. The REIT distribution requirements could materially and adversely affect our ability to execute our business strategies. We intend to continue to make distributions to our shareholders to comply with the requirements of the Internal Revenue Code and to avoid paying corporate income tax on undistributed income. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets, borrow funds on a short- term or long- term basis, or issue equity to meet the distribution requirements of the Internal Revenue Code. We may find it difficult or impossible to meet distribution requirements in certain circumstances. Due to the nature of the assets in which we invest and may invest and to our accounting elections for such assets, we may be required to recognize taxable income from those assets in advance of our receipt of cash flow on or proceeds from disposition of such assets. In addition, ~~pursuant to the Tax Act,~~ we generally ~~are will be~~ required to recognize certain amounts in income no later than the time such amounts are reflected on our financial statements filed with the SEC. The application of this rule may require the accrual of income with respect to loans, MBS, and other types of debt securities or interests in debt securities held by us, such as original issue discount or market discount, earlier than would be the case under other provisions of the Internal Revenue Code. As a result, to the extent such income is not realized within a TRS, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt or (iv) make a taxable distribution of our shares as part of a distribution in which shareholders may elect to receive shares or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with REIT requirements. We may be required to report taxable income early in our holding period for certain investments in excess of the economic income we ultimately realize from them. We acquire and / or expect to acquire in the secondary market debt instruments that we may significantly modify for less than their face amount, MBS issued with original issue discount, MBS acquired at a market discount, or debt instruments or MBS that are delinquent as to mandatory principal and interest payments. In each case, we may be required to report income regardless of whether corresponding cash payments are received or are ultimately collectible. If we eventually collect less than we had previously reported as income, there may be a bad debt deduction available to us at that time or we may record a capital loss in a disposition of such asset, but our ability to benefit from that bad debt deduction or capital loss would depend on our having taxable income or capital gains, respectively, in that later taxable year or a subsequent taxable year. This possible “ income early, losses later ” phenomenon could materially and adversely affect us and our shareholders if it were persistent and in significant amounts. The share ownership limits applicable to us that are imposed by the Internal Revenue Code for REITs and our declaration of trust may restrict our business combination opportunities. In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50 % in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year following our first year. Our

declaration of trust, with certain exceptions, authorizes our board of trustees to take the actions that are necessary and desirable to preserve our qualification as a REIT. Under our declaration of trust, no person may own more than 9.8% by vote or value, whichever is more restrictive, of our outstanding ~~common~~ **Common shares Shares** or more than 9.8% by vote or value, whichever is more restrictive, of our outstanding shares of beneficial interest. Our board may grant an exemption to the share ownership limits in its sole discretion, subject to certain conditions and the receipt of certain representations and undertakings. These share ownership limits are based upon direct or indirect ownership by “ individuals, ” which term includes certain entities. Ownership limitations are common in the organizational documents of REITs and are intended, among other purposes, to provide added assurance of compliance with the tax law requirements and to minimize administrative burdens. However, our share ownership limits might also delay or prevent a transaction or a change in our control that might involve a premium price for our ~~common~~ **Common shares Shares** or otherwise be in the best interests of our shareholders. Complying with the REIT requirements can be difficult and may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments. To qualify as a REIT for U. S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our shares. We may be required to make distributions to our shareholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments or require us to liquidate from our portfolio otherwise attractive investments. If we are compelled to liquidate our investments, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders. Complying with the REIT requirements may limit our ability to hedge effectively. The REIT provisions of the Internal Revenue Code may limit our ability to hedge our assets, liabilities and operations. Under current law, any income from a hedging transaction we enter into either (i) to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets, (ii) to manage risk of currency fluctuations with respect to items of income that qualify for purposes of the REIT 75% or 95% gross income tests or assets that generate such income, or (iii) to hedge another instrument that hedges risks described in clause (i) or (ii) for a period following the extinguishment of the liability or the disposition of the asset that was previously hedged by the instrument, provided, that, in each case, such instrument is properly identified under applicable Treasury regulations, will not be treated as qualifying income for purposes of the REIT gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise be subject to. The tax on prohibited transactions limits our ability to engage in transactions, including certain methods of securitizing loans that would be treated as sales for U. S. federal income tax purposes. A REIT’s net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including loans, held primarily for sale to customers in the ordinary course of business. We would be subject to this tax if we were to sell loans that we held primarily for sale to customers in a securitization transaction effected through the REIT. Therefore, in order to avoid the prohibited transactions tax, we engage in such sales of loans through the TRS. We may hold a substantial amount of assets in one or more TRSs that are subject to corporate income tax on its earnings, which may reduce the cash flow generated by us and our subsidiaries in the aggregate, and our ability to make distributions to our shareholders. We acquire and hold residential mortgage- backed securities (“ RMBS ”) and have engaged, and expect to continue to engage, in RMBS trading activity as we evaluate our RMBS portfolio on a regular basis and reposition it from time to time as a trader. We acquire RMBS positions with the intention of holding them for investment and not for sale to customers in the ordinary course of business. We intend to conduct such trading activities under internal guidelines that we believe are sufficient to demonstrate that this is the case. We therefore believe that we will not be treated as engaging in “ prohibited transactions ” that would be subject to a 100% tax on any net gain derived from RMBS sales. However, we do not expect that such trading activities will fall within a statutory “ safe harbor ” that would conclusively protect us against an assertion by the IRS to the contrary. If the IRS were successfully to require treatment of sales made in the course of such trading activities as “ prohibited transactions, ” it would subject any net gain derived from such sales to this 100% tax, but would not affect our qualification as a REIT. The taxable mortgage pool (“ TMP ”) rules may increase the taxes that we or our shareholders may incur, and may limit the manner in which we effect future securitizations. Certain of our securitizations that involve the issuance of indebtedness rather than sales may likely be considered to result in the creation of TMPs for U. S. federal income tax purposes. A TMP is always classified as a corporation for U. S. federal income tax purposes. However, as long as a REIT owns 100% of a TMP, such classification generally does not result in the imposition of corporate income tax, because the TMP is a “ qualified REIT subsidiary. ” In the case of such wholly- REIT owned TMPs, certain categories of our shareholders, such as foreign shareholders otherwise eligible for treaty benefits, shareholders with net operating losses, and tax exempt shareholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income received from us that is attributable to the TMP, or “ excess inclusion income. ” In addition, to the extent that our shares are owned in record name by tax exempt “ disqualified organizations, ” such as certain government- related entities that are not subject to tax on unrelated business income, we may incur a corporate level tax on our allocable portion of excess inclusion income from such a wholly- REIT owned TMP. In that case and to the extent feasible, we may reduce the amount of our distributions to any disqualified organization whose share ownership gave rise to the tax, or we may bear such tax as a general corporate expense. To the extent that our shares owned by disqualified organizations are held in record name by a broker / dealer or other nominee, the broker / dealer or other nominee would be liable for the corporate level tax on the portion of our excess inclusion income allocable to the shares held by the broker / dealer or other nominee on behalf of disqualified organizations. While we intend to attempt to minimize the portion of our distributions that is subject to these rules, the law is

unclear concerning computation of excess inclusion income, and its amount could be significant. In the case of any TMP that would be taxable as a domestic corporation if it were not wholly- REIT owned, we would be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. This marketing limitation may prevent us from selling more junior or non- investment grade debt securities in such securitizations and maximizing our proceeds realized in those offerings. New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. The rules dealing with federal income taxation, including the present U. S. federal income tax treatment of REITs, may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U. S. federal income tax treatment of an investment in our ~~common~~ **Common Shares**. Changes to the tax laws, including the U. S. federal tax rules that affect REITs, are constantly under review by persons involved in the legislative process, the IRS and the U. S. Treasury, which results in statutory changes as well as frequent revisions to Treasury Regulations and interpretations. Revisions in U. S. federal tax laws and interpretations thereof could materially and adversely affect us and our shareholders. We **cannot predict how changes in the tax laws, or the expiration of certain tax provisions in the 2017 Tax Cuts and Jobs Act that are subject to “ sunset ” for taxable years beginning after December 31, 2025, might affect us or our shareholders.** We also may enter into certain transactions where the REIT eligibility of the assets subject to such transactions is uncertain. In circumstances where the application of these rules and regulations affecting our investments is not clear, we may have to interpret them and their application to us. If the IRS were to take a position adverse to our interpretation, the consequences of such action could materially and adversely affect our business, financial condition, liquidity, results of operations, and our ability to make distributions to our shareholders. ~~General Risk Factors~~ **Risks**—We could incur substantial losses and our business operations could be disrupted if we and our Manager are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, climate risk and other market- related risks, as well as operational and legal risks related to our business, assets, and liabilities. We and our Manager also are subject to various laws, regulations and rules that are not industry specific, including employment laws related to employee hiring and termination practices, health and safety laws, environmental laws and other federal, state and local laws, regulations and rules in the jurisdictions in which we operate. Our and our Manager’ s risk management policies, procedures, and techniques may not be sufficient to identify all of the risks to which we are exposed, mitigate the risks we have identified, or identify additional risks to which we may become subject in the future. Our and our Manager’ s risk management framework is designed to identify, monitor and mitigate risks that could have a negative impact on our financial condition or reputation. This framework includes divisions or groups dedicated to enterprise risk management, credit risk, climate risk, corporate sustainability, information security, disaster recovery and other information technology- related risks, business continuity, legal and compliance, compensation structures and other human resources matters, vendor management and internal audit, among others. Expansion of our business activities may also result in our being exposed to risks to which we have not previously been exposed or may increase our exposure to certain types of risks, and we may not effectively identify, manage, monitor, and mitigate these risks as our business activities change or increase. We could be harmed by misconduct or fraud that is difficult to detect. We are exposed to risks relating to misconduct by our and our Manager’ s employees, and the employees of our Manager’ s subsidiaries, affiliates, contractors we use, or other third parties with whom we have relationships. For example, such employees could execute unauthorized transactions, use our assets improperly or without authorization, perform improper activities, use confidential information for improper purposes, or otherwise try to hide improper activities from us. This type of misconduct could also relate to our assets managed by PCM. This type of misconduct can be difficult to detect and if not prevented or detected could result in claims or enforcement actions against us or losses. Accordingly, misconduct by our and our Manager’ s employees and its subsidiaries, affiliates, contractors, or others could subject us to losses or regulatory sanctions and seriously harm our reputation. Our controls may not be effective in detecting this type of activity. ~~business and~~ **Our failure to appropriately address various issues that may give rise to reputational risk could** adversely affect our business, financial condition and results of operations. Our business is subject to significant reputational risks. If we fail, or appear to fail, to address various issues that may give rise to reputational risk, we could significantly harm our business. Such issues include, but are not limited to, actual or perceived conflicts of interest and violations of legal or regulatory requirements. Similarly, market rumors and actual or perceived association with counterparties whose own reputations are under question could harm our business. We may not adequately monitor and address potential conflicts between our interests and those of PFSI, PCM and PLS. We have implemented procedures and controls to be followed when real or potential conflicts of interest arise, but it is possible that potential or perceived conflicts could give rise to the dissatisfaction of, or litigation by, our investors or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny, litigation or reputational risk incurred in connection with conflicts of interest would adversely affect our business in a number of ways and may adversely affect our results of operations. Reputational risk incurred in connection with conflicts of interest could negatively affect our financial condition and business, strain our working relationships with regulators and government agencies, expose us to litigation and regulatory action, impact our ability to attract and retain customers, trading counterparties, investors and employees and adversely affect our business, financial condition, liquidity, results of operations and our ability to make distributions to our shareholders. Reputational damage can result from our actual or alleged conduct in any number of activities, including lending and debt collection practices, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative public opinion can also result from social media and media coverage, whether accurate or not. Our reputation may also be negatively impacted by ~~our environmental, social, governance and other~~ corporate sustainability practices as (“ Corporate Sustainability ”). In addition, various private third- party organizations **and investors** have developed ratings processes for

evaluating companies on their approach to ~~Corporate~~ **corporate** ~~Sustainability~~ **sustainability** matters. These ~~third~~ **Third**-party ~~Corporate~~ **corporate** ~~Sustainability~~ **sustainability** ratings may be used by some investors to assist with their investment and voting decisions. Any unfavorable ~~Corporate~~ **corporate** ~~Sustainability~~ **sustainability** ratings may lead to reputational damage and negative sentiment among our investors and other stakeholders. These factors could impair our working relationships with government agencies and investors, expose us to litigation and regulatory action, negatively affect our ability to attract and retain customers, trading counterparties and employees, significantly harm our ~~common~~ **Common** ~~share~~ **Share** price and ability to raise capital, and adversely affect our results **of operations**. If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes- Oxley Act requires us to evaluate and report on our internal control over financial reporting and have our independent auditors annually attest to our evaluation, as well as issue their own opinion on our internal control over financial reporting. While we have undertaken substantial work to comply with Section 404, we cannot be certain that we will be successful in maintaining adequate control over our financial reporting and financial processes. **Section 404 (b) of the Sarbanes- Oxley Act requires our auditors to formally attest to and report on the effectiveness of our internal control over financial reporting.** If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could result in an event of default under one or more of our lending arrangements and / or reduce the market value of our ~~common~~ **Common** ~~shares~~ **Shares**. Additionally, the existence of any material weakness or significant deficiency could require management to devote significant time and incur significant expense to remediate any such material weakness or significant deficiency, and management may not be able to remediate any such material weakness or significant deficiency in a timely manner, or at all. Accordingly, our failure to maintain effective internal control over financial reporting could result in misstatements of our financial results or restatements of our financial statements or otherwise have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders. We operate in a highly competitive market and decreased margins resulting from increased competition or our inability to compete successfully could adversely affect our business, financial condition, liquidity and results of operations. We operate in a highly competitive industry that could become even more competitive as a result of economic, legislative, regulatory and technological changes. We compete in our investment activities with other mortgage REITs, specialty finance companies, private funds, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, depository institutions, governmental bodies and other entities, many of which focus on acquiring mortgage assets. In addition, financial institutions, mortgage lenders and servicers are becoming increasingly competitive in the acquisition of newly originated loans. Many of these institutions have competitive advantages over us, including size, financial strength, access to capital, cost of funds, federal pre-emption and higher risk tolerance. Additionally, our existing and potential competitors may decide to modify their business models to compete more directly with our correspondent production business. Competition may result in fewer investments, higher prices, acceptance of greater risk, lower yields and a narrower spread of yields over our financing costs. Our correspondent production activities may generate lower volumes and / or margins as more competitors enter this market. Future issuances of **our equity and** debt securities **may**, ~~which would rank senior to our~~ ~~common~~ **Common** ~~shares~~ **Shares**, and future issuances of equity securities, ~~which would dilute the holdings of our existing shareholders and may be senior to our common shares,~~ may materially and adversely affect the market price of our ~~common~~ **Common** ~~shares~~ **Shares**. We may rely on additional common and preferred equity issuances to fund our business, which may rank senior and / or be dilutive to our current shareholders, or on additional forms of debt financing that rank senior to our ~~common~~ **Common** ~~shares~~ **Shares** and require, **such as our unsecured senior notes, which may result in us dedicating a larger substantial** portion of our cash flow from operations **towards the payment of principal and interest on such debt financing**, thereby reducing funds available for our operations, future business opportunities, cash distributions to our shareholders and other purposes. For example, our outstanding preferred shares have preferences on distribution payments, including liquidating distributions, which could limit our ability to make distributions, including liquidating distributions, to holders of our ~~common~~ **Common** ~~shares~~ **Shares**. In addition, upon liquidation, holders of our debt securities and other loans would receive a distribution of our available assets before holders of our common shares. Subject to applicable law, our board of trustees has the authority, without further shareholder approval, to issue additional ~~debt,~~ ~~common~~ **Common** ~~shares~~ **Shares** and, preferred shares **and debt securities** on the terms and for the consideration it deems appropriate. We have issued, and / or intend to issue, additional ~~common~~ **Common** ~~shares~~ **Shares** and securities convertible into, or exchangeable or exercisable for, common shares under our equity incentive plan. We also have an effective shelf registration statement allowing us to issue additional ~~common~~ **Common** ~~shares~~ **Shares**, preferred shares and debt securities, including, without limitation, ~~common~~ **Common** ~~shares~~ **Shares** through our "at-the-market" equity program and, as of December 31, ~~2023~~ **2024**, we have approximately \$ 200 million of ~~common~~ **Common** ~~shares~~ **Shares** available for issuance under that program. **Thus, holders of our Common Shares bear the risk that our future issuances of equity or debt securities or other borrowings will reduce the market price of our Common Shares and dilute their ownership in us.** We also may issue from time to time additional ~~common~~ **Common** ~~shares~~ **Shares** in connection with portfolio or business acquisitions and may grant demand or piggyback registration rights in connection with such issuances. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict the effect, if any, of future issuances of our ~~common~~ **Common** ~~shares~~ **Shares**, preferred shares, debt securities or equity-based securities or the prospect of such issuances on the market price of our ~~common~~ **Common** ~~shares~~ **Shares**. Issuances of a substantial amount of such securities, or the perception that such issuances might occur, could depress the market price of our ~~common~~ **Common** ~~shares~~ **Shares**. ~~Thus, holders of our common shares bear the risk that our future issuances of debt or equity securities or other borrowings will reduce the market price of our common shares and dilute their ownership in us.~~ Initiating new business activities or investment strategies, developing new products or

significantly expanding existing business activities or investment strategies may expose us to new risks and increase our cost of doing business. Initiating new business activities or investment strategies, developing new products, or significantly expanding existing business activities or investment strategies, are ways to grow our businesses and respond to changing circumstances in our industry; however, they may expose us to new risks and regulatory compliance requirements. We cannot be certain that we will be able to manage these risks and compliance requirements effectively. Furthermore, our efforts may not succeed and any revenues we earn from any new or expanded business initiative or investment strategy may not be sufficient to offset the initial and ongoing costs of that initiative, which would result in a loss with respect to that initiative or strategy. We may not be able to successfully ~~operate our business or~~ generate sufficient **operating returns and** cash flows to make or sustain distributions to our shareholders. There can be no assurance that we will be able to generate sufficient cash to pay our operating expenses and make distributions to our shareholders. ~~For example, in fiscal year 2023, we reported a net gain attributable to common shareholders of \$ 157.8 million.~~ The results of our operations and our ability to make or sustain distributions to our shareholders depends on many factors, including the availability of attractive risk - adjusted investment opportunities that satisfy our investment strategies and our success in identifying and consummating them on favorable terms, the level and expected movement of home prices, the level and volatility of interest rates, readily accessible short- term and long- term financing on favorable terms, and conditions in the financial markets, real estate market and the economy, as to which no assurance can be given. We also face substantial competition in acquiring attractive investments, both in our investment activities and correspondent production activities. **Principal payments, sales or redemptions prior to maturity of our investments may generate cash for us and reduce the overall size of our portfolio. In order to maintain or increase our portfolio size and our earnings, we must continually make new investments.** While we try to diversify our investments among various types of mortgages and mortgage- related assets, the competition for such assets may compress margins and reduce yields, making it difficult for us to make investments with attractive risk- adjusted **returns. If the availability of new assets is limited or if the pricing of such assets is unfavorable, we may not be able to invest in, or acquire assets that will generate attractive** returns. There can be no assurance that we will be able to successfully transition out of investments producing lower returns into investments that produce better returns, or that we will not seek investments with greater risk to obtain the same level of returns. Any or all of these factors could cause the fair value of our investments to decline substantially and have a material **51** ~~adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our shareholders.~~ 49