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

# FORM 8-K

## CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): November 5, 2013**

# AG Mortgage Investment Trust, Inc.

| **Maryland** | **001-35151** | **27-5254382** |
|---|---|---|
| **(State or other jurisdiction of incorporation)** | **(Commission File Number)** | **(I.R.S. Employer Identification No.)** |

**245 Park Avenue, 26th floor**
**New York, New York 10167**
**(212) 692-2000**
**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)

## Item 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On November 5, 2013, AG Mortgage Investment Trust, Inc. (the "Company") issued a press release announcing its financial results for the fiscal quarter ended September 30, 2013 (the "Release").

Pursuant to the rules and regulations of the Securities and Exchange Commission, the Release is attached to this Report as Exhibit 99.1 and the information contained in the Release is incorporated into this Item 2.02 by this reference. The information contained in this Item 2.02 is being "furnished" and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and shall not be deemed to be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in such filing.

## Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release, dated November 5, 2013, issued by AG Mortgage Investment Trust, Inc. |

## SIGNATURES

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

AG MORTGAGE INVESTMENT TRUST, INC.

Date: November 5, 2013

By: /s/ ALLAN KRINSMAN
Name: Allan Krinsman
Title: General Counsel and Secretary

## Exhibit Index

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release, dated November 5, 2013, issued by AG Mortgage Investment Trust, Inc. |

**Exhibit 99.1**

AG Mortgage Investment Trust, Inc. Reports Third Quarter Results

NEW YORK, NY, November 5, 2013 / Business Wire — AG Mortgage Investment Trust, Inc. ("MITT" or the "Company") (NYSE: MITT) today reported financial results for the quarter ended September 30, 2013. AG Mortgage Investment Trust, Inc. is an actively managed REIT that opportunistically invests in a diversified risk-adjusted portfolio of Agency RMBS, Non-Agency RMBS, ABS, CMBS, commercial loans and other real estate related assets. A reconciliation of core earnings to net income appears at the end of this press release.

## THIRD QUARTER 2013 FINANCIAL HIGHLIGHTS

*See footnotes at the end of this press release*

- Net income of $0.09 per common share (6)
- Core Earnings of $0.45 per share
- $0.60 per share common dividend declared
- $1.59 per common share of undistributed taxable income (1) (13)
- $19.26 net book value per share as of September 30, 2013 (1), net of the third quarter dividend

## INVESTMENT HIGHLIGHTS

- $3.9 billion investment portfolio value as of September 30, 2013 (2) (4)
  - 71% Agency RMBS investment portfolio
    - Rotation within the Agency RMBS portfolio out of 30yrs and into shorter duration securities, including increasing our Hybrid ARMs to over 18% of the Agency portfolio
  - 29% credit investment portfolio, comprised of Non-Agency RMBS, ABS, CMBS, and commercial loan assets
- 2.12% net interest margin as of September 30, 2013 (3)
- 4.53x leverage as of September 30, 2013 (2) (7)
- $1.1 billion reduction in notional of pay-fixed swaps during the quarter
  - Hedge ratio at quarter end of 114% of Agency RMBS repo notional, or 84% of total repo notional (8)
- 10.5% constant prepayment rate ("CPR") for the third quarter on the Agency RMBS investment portfolio (5)
  - 9.5% CPR for the month of September

"During the third quarter we continued to actively rotate and rebalance our portfolio," said Jonathan Lieberman, Chief Investment Officer. "We are pleased with the Agency RMBS rotation and believe these actions will enable us to enhance future earnings and optimize hedges over the near-term. At the same time, we remain committed to protecting book value against potential volatility in the interest rate and mortgage markets as a result of the eventual exit of the Federal Reserve from its large scale asset purchase program."

**KEY STATISTICS (2)**

| | Weighted Average at September 30, 2013 | Weighted Average for the Quarter Ended September 30, 2013 |
|---|---|---|
| Investment portfolio | $3,866,851,323 | $ 3,920,850,871 |
| Repurchase agreements | $ 3,194,360,409 | $ 3,376,163,761 |
| Stockholders' equity | $ 707,825,616 | $ 711,402,491 |
| Leverage ratio (7) | 4.53x | 4.75x |
| Hedge Ratio—Total repo (8) | 84% | 95% |
| Hedge Ratio—Agency repo (8) | 114% | 127% |
| Yield on investment portfolio (9) | 3.88% | 3.86% |
| Cost of funds (10) | 1.76% | 1.89% |
| Net interest margin (3) | 2.12% | 1.97% |
| Management fees (11) | 1.43% | 1.42% |
| Other operating expenses (12) | 1.59% | 1.59% |
| Book value, per share (1) | $ 19.26 | |
| Dividend, per share | $ 0.60 | |

**INVESTMENT PORTFOLIO**

The following summarizes the Company's investment portfolio as of September 30, 2013 (2):

| | | | | | Weighted Average | |
|---|---|---|---|---|---|---|
| | **Current Face** | **Premium (Discount)** | **Amortized Cost** | **Fair Value** | **Coupon*** | **Yield** |
| Agency RMBS: | | | | | | |
| 15-Year Fixed Rate | $ 581,988,428 | $ 17,501,848 | $ 599,490,276 | $ 605,801,659 | 3.13% | 2.49% |
| 20-Year Fixed Rate | 321,962,591 | 8,400,055 | 330,362,646 | 329,548,776 | 3.36% | 2.61% |
| 30-Year Fixed Rate | 1,121,864,732 | 64,647,503 | 1,186,512,235 | 1,175,209,555 | 4.01% | 3.24% |
| ARM | 505,107,796 | (2,166,104) | 502,941,692 | 503,961,133 | 2.40% | 2.85% |
| Interest Only | 723,052,361 | (587,290,862) | 135,761,499 | 132,511,129 | 4.87% | 6.46% |
| Credit Investments: | | | | | | |
| Non-Agency RMBS | 1,022,136,598 | (150,355,903) | 871,780,695 | 888,199,289 | 3.87% | 5.80% |
| ABS | 100,516,816 | (390,000) | 100,126,816 | 99,344,323 | 3.80% | 3.91% |
| CMBS | 116,350,513 | (24,308,622) | 92,041,891 | 92,965,800 | 4.22% | 7.22% |
| Interest Only | 490,038,560 | (480,501,290) | 9,537,270 | 9,309,659 | 0.33% | 5.76% |
| Commercial Loan | 30,000,000 | 176,568 | 30,176,568 | 30,000,000 | 9.00% | 9.87% |
| Total | $ 5,013,018,395 | $(1,154,286,807) | $ 3,858,731,588 | $ 3,866,851,323 | 3.47% | 3.88% |

* Principal only securities with a zero coupon rate are excluded from this calculation.

As of September 30, 2013, the weighted average yield on the Company's investment portfolio was 3.88% and its weighted average cost of funds was 1.76%. This resulted in a net interest margin of 2.12% as of September 30, 2013. (3)

The Company had net realized losses of $(45.2) million, or $(1.60) per share, during the quarter ended September 30, 2013. Of this amount, $(39.3) million, or $(1.39) per share, was from Agency RMBS, $(3.4) million, or $(0.12) per share, was from credit investments, $(2.1) million, or $(0.08) per share, was from the net settlement of interest rate swaps and other derivatives, and $(0.4) million, or $(0.01) per share, was from the transfer of securities previously accounted for as derivatives through linked transactions. Of these amounts, $(7.9) million, or $(0.28) per share, was primarily from the recognition of other-than-temporary impairment recorded on certain securities sold subsequent to quarter end.

The CPR for the Agency RMBS investment portfolio was 10.5% for the third quarter, and 9.5% for the month of September 2013. (5)

The weighted average cost basis of the Agency RMBS investment portfolio, excluding interest-only securities, was 103.5% as of September 30, 2013. The amortization of premiums (net of any accretion of discounts) on these securities for the third quarter of 2013 was $(3.3) million, or $(0.12) per share. The unamortized net Agency RMBS premium as of September 30, 2013 was $(88.4) million.

Premiums and discounts associated with purchases of the Company's securities are amortized or accreted into interest income over the estimated life of such securities, using the effective yield method. The Company recorded a $(0.3) million, or $(0.01) per share retrospective adjustment due to the change in projected cash flows on its bonds. Since the cost basis of the Company's Agency RMBS securities, excluding interest-only securities, exceeds the underlying principal balance by 3.5% as of September 30, 2013, slower actual and projected prepayments can have a meaningful positive impact, while faster actual or projected prepayments can have a meaningful negative impact on the Company's asset yields.

We have also entered into "to-be-announced" ("TBA") positions to facilitate the future purchase or sale of Agency RMBS. Under the terms of these TBAs, the Company agrees to purchase or sell, for future receipt or delivery, Agency RMBS with certain principal and interest specifications and certain types of underlying collateral, but the particular Agency RMBS to be received or delivered are not identified until shortly before (generally two days) the TBA settlement date. At September 30, 2013, we had $25.0 million net notional amount of TBA positions. The weighted average purchase and sale prices of unsettled positions were 102.0% and 103.2%, respectively. As of September 30, 2013, our TBA portfolio had a net weighted average settlement date of October 10, 2013. We have recorded derivative assets and liabilities of $0.3 million and $1.6 million, respectively, reflecting TBA positions outstanding at September 30, 2013.

## LEVERAGE AND HEDGING ACTIVITIES

The investment portfolio is financed with repurchase agreements as of September 30, 2013 as summarized below:

| Repurchase Agreements Maturing Within: | Balance | Weighted Average Rate | Weighted Average Maturity |
|---|---|---|---|
| 30 Days or Less | $ 1,549,683,000 | 0.99% | 17.8 |
| 31-60 Days | 858,497,000 | 0.46% | 46.9 |
| 61-90 Days | 217,044,000 | 0.50% | 70.0 |
| Greater than 90 Days | 569,136,409 | 0.77% | 145.9 |
| Total / Weighted Average | $ 3,194,360,409 | 0.77% | 52.0 |

The Company has entered into repurchase agreements with 30 counterparties. We continue to rebalance our exposures to counterparties and extend original maturities. The weighted average original maturity increased from 94 days as of June 30, 2013, to 100 days as of September 30, 2013.

We have entered into interest rate swap agreements to hedge our portfolio. During the quarter, we reduced our interest rate swap notional by approximately $1.1 billion. The Company's swaps as of September 30, 2013 are summarized as follows:

**Interest Rate Swaps**

| Maturity | Notional Amount | Weighted Average Pay Rate | Weighted Average Receive Rate** | Weighted Average Years to Maturity |
|---|---|---|---|---|
| 2016 | $ 180,000,000 | 0.90% | 0.26% | 2.71 |
| 2017 | 335,000,000 | 1.05% | 0.26% | 3.95 |
| 2018 | 818,000,000 | 1.28% | 0.26% | 4.67 |
| 2019 | 350,000,000 | 1.38% | 0.26% | 5.80 |
| 2020 | 665,000,000 | 1.70% | 0.26% | 6.56 |
| 2022 | 50,000,000 | 1.69% | 0.26% | 8.93 |
| 2023* | 245,000,000 | 2.37% | 0.26% | 9.71 |
| Total/Wtd Avg | $2,643,000,000 | 1.45% | 0.26% | 5.62 |

* This figure includes a forward starting swap with a total notional of $25.0 million and a start date of October 1, 2013. Weighted average rates shown are inclusive of rates corresponding to the terms of the swap as if the swap were effective as of September 30, 2013.

** 100% of our receive float interest rate swap notionals reset quarterly based on three-month LIBOR.

The Company also utilizes short positions in U.S. Treasury securities to mitigate exposure to increases in interest rates. As of September 30, 2013, the Company had a net short position of $50.0 million notional in U.S. Treasury securities. As of September 30, 2013, 84% and 114% of the Company's outstanding balance of total repurchase agreements and repurchase agreement secured by Agency RMBS, respectively, was hedged through interest rate swaps and net short U.S. Treasury positions (8).

## TAXABLE INCOME

The primary differences between taxable income and GAAP net income include (i) unrealized gains and losses associated with investment and derivative portfolios which are marked-to-market in current income for GAAP purposes, but excluded from taxable income until realized or settled, (ii) temporary differences related to amortization of net premiums paid on investments, (iii) the timing and amount of deductions related to stock-based compensation, and (iv) taxes. As of September 30, 2013, the Company had undistributed taxable income of approximately $1.59 per share (13), including the effects of dividends.

## DIVIDEND

On September 9, 2013, the Company's board of directors declared the third quarter dividend of $0.60 per share of common stock that was paid on October 28, 2013 to stockholders of record as of September 19, 2013.

On August 15, 2013, the Company declared a quarterly dividend of $0.51563 per share of Series A preferred stock and a quarterly dividend of $0.50 per share of Series B preferred stock. The preferred distributions were paid on September 17, 2013 to stockholders of record as of August 30, 2013.

## STOCKHOLDER CALL

The Company invites stockholders, prospective stockholders and analysts to attend MITT's third quarter earnings conference call on November 5, 2013 at 10:00 am Eastern Time. The stockholder call can be accessed by dialing (888) 424-8151 (U.S. domestic) or (847) 585-4422 (international). Please enter code number 8846814#.

A presentation will accompany the conference call and will be available on the Company's website at www.agmit.com. Select the Q3 2013 Earnings Presentation link to download and print the presentation in advance of the stockholder call.

An audio replay of the stockholder call combined with the presentation will be made available on our website after the call. The replay will be available until midnight on November 19, 2013. If you are interested in hearing the replay, please dial (888) 843-7419 (U.S. domestic) or (630) 652-3042 (international). The conference ID number is 8846814#.

For further information or questions, please contact Lisa Yahr, the Company's Head of Investor Relations, at (212) 692-2282 or lyahr@angelogordon.com.

**ABOUT AG MORTGAGE INVESTMENT TRUST, INC.**

AG Mortgage Investment Trust, Inc. is a real estate investment trust that invests in, acquires and manages a diversified portfolio of residential mortgage assets, other real estate-related securities and financial assets. AG Mortgage Investment Trust, Inc. is externally managed and advised by AG REIT Management, LLC, a subsidiary of Angelo, Gordon & Co., L.P., an SEC-registered investment adviser that specializes in alternative investment activities.

Additional information can be found on the Company's website at www.agmit.com.

**ABOUT ANGELO, GORDON & CO.**

Angelo, Gordon & Co. was founded in 1988 and has approximately $24 billion under management. Currently, the firm's investment disciplines encompass five principal areas: (i) distressed debt and leveraged loans, (ii) real estate, (iii) mortgage-backed securities and other structured credit, (iv) private equity and special situations and (v) a number of hedge fund strategies. Angelo, Gordon & Co. employs over 300 employees, including more than 110 investment professionals, and is headquartered in New York, with associated offices in Amsterdam, Chicago, Los Angeles, London, Hong Kong, Seoul, Sydney and Tokyo.

**FORWARD LOOKING STATEMENTS**

This press release includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 related to future dividends, the credit component of our portfolio book valve, deploying capital, the preferred stock offering and repurchase agreements. Forward-looking statements are based on estimates, projections, beliefs and assumptions of management of the Company at the time of such statements and are not guarantees of future performance. Forward-looking statements involve risks and uncertainties in predicting future results and conditions. Actual results could differ materially from those projected in these forward-looking statements due to a variety of factors, including, without limitation, changes in interest rates, changes in the yield curve, changes in prepayment rates, the availability and terms of financing, changes in the market value of our assets, general economic conditions, market conditions, conditions in the market for Agency RMBS, Non-Agency RMBS, ABS and CMBS securities and loans, and legislative and regulatory changes that could adversely affect the business of the Company. Additional information concerning these and other risk factors are contained in the Company's filings with the Securities and Exchange Commission ("SEC"). Copies are available free of charge on the SEC's website, http://www.sec.gov/. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

**AG Mortgage Investment Trust, Inc. and Subsidiaries**
**Consolidated Balance Sheets**
**(Unaudited)**

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Real estate securities, at fair value: | | |
| Agency—$2,459,557,624 and $3,536,876,135 pledged as collateral, respectively | $ 2,747,032,252 | $ 3,785,867,151 |
| Non-Agency—$620,674,314 and $529,455,020 pledged as collateral, respectively | 630,034,943 | 568,858,645 |
| ABS—$87,730,723 and $33,937,097 pledged as collateral, respectively | 99,344,323 | 33,937,097 |
| CMBS—$64,669,711 and $148,307,262 pledged as collateral, respectively | 64,669,711 | 148,365,887 |
| Commercial loans receivable, at fair value | 30,000,000 | 2,500,000 |
| Investment in affiliates | 16,114,596 | — |
| Linked transactions, net, at fair value | 51,085,912 | 45,122,824 |
| Cash and cash equivalents | 35,089,032 | 149,594,782 |
| Restricted cash | 15,431,616 | 9,130,000 |
| Interest receivable | 12,673,519 | 14,242,453 |
| Receivable on unsettled trades—$99,664,974 and $0 pledged as collateral, respectively | 106,233,394 | 96,310,999 |
| Receivable under reverse repurchase agreements | 50,125,000 | — |
| Derivative assets, at fair value | 31,970,483 | — |
| Other assets | 853,542 | 454,069 |
| Due from broker | 1,383,818 | 884,605 |
| Total Assets | $ 3,892,042,141 | $4,855,268,512 |
| **Liabilities** | | |
| Repurchase agreements | $2,965,095,409 | $ 3,911,419,818 |
| Obligation to return securities borrowed under reverse repurchase agreements, at fair value | 50,025,781 | — |
| Payable on unsettled trades | 120,099,264 | 84,658,035 |
| Interest payable | 2,837,294 | 3,204,205 |
| Derivative liabilities, at fair value | 3,477,340 | 36,375,947 |
| Dividend payable | 17,017,528 | 18,540,667 |
| Due to affiliates | 4,168,756 | 3,910,065 |
| Accrued expenses | 1,100,043 | 806,853 |
| Taxes payable | 1,373,083 | 1,731,141 |
| Due to broker | 19,022,027 | — |
| Total Liabilities | 3,184,216,525 | 4,060,646,731 |
| **Stockholders' Equity** | | |
| Preferred stock—$0.01 par value; 50,000,000 shares authorized: | | |
| 8.25% Series A Cumulative Redeemable Preferred Stock, 2,070,000 shares issued and outstanding ($51,750,000 aggregate liquidation preference) at September 30, 2013 and December 31, 2012 | 49,920,772 | 49,920,772 |
| 8.00% Series B Cumulative Redeemable Preferred Stock, 4,600,000 shares issued and outstanding ($115,000,000 aggregate liquidation preference) at September 30, 2013 and December 31, 2012 | 111,293,233 | 111,293,233 |
| Common stock, par value $0.01 per share; 450,000,000 shares of common stock authorized and 28,360,046 and 26,961,936 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively | 283,601 | 269,620 |
| Additional paid-in capital | 585,511,504 | 552,067,681 |
| Retained earnings (deficit) | (39,183,494) | 81,070,475 |
| | 707,825,616 | 794,621,781 |
| Total Liabilities & Equity | $ 3,892,042,141 | $4,855,268,512 |

**AG Mortgage Investment Trust, Inc. and Subsidiaries**
**Consolidated Statements of Operations**
**(Unaudited)**

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| **Net Interest Income** | | | | |
| Interest income | $ 33,278,284 | $ 28,285,116 | $ 114,163,747 | $ 60,164,752 |
| Interest expense | 5,584,419 | 4,228,610 | 19,749,592 | 8,506,041 |
| | 27,693,865 | 24,056,506 | 94,414,155 | 51,658,711 |
| **Other Income** | | | | |
| Net realized gain/(loss) | (45,247,890) | 4,105,323 | (116,489,235) | 14,087,123 |
| Gain on linked transactions, net | 2,060,270 | 6,688,111 | 6,558,879 | 13,492,268 |
| Realized loss on periodic interest settlements of interest rate swaps, net | (9,123,233) | (2,471,590) | (21,205,353) | (6,061,954) |
| Unrealized gain/(loss) on real estate securities and loans, net | 40,136,126 | 45,917,570 | (60,668,593) | 78,755,229 |
| Unrealized gain/(loss) on derivative and other instruments, net | (5,779,945) | (13,371,486) | 67,348,314 | (26,793,133) |
| | (17,954,672) | 40,867,928 | (124,455,988) | 73,479,533 |
| **Expenses** | | | | |
| Management fee to affiliate | 2,523,547 | 1,657,701 | 8,195,890 | 3,903,378 |
| Other operating expenses | 2,819,431 | 1,653,547 | 7,780,385 | 3,227,786 |
| Equity based compensation to affiliate | 55,105 | 120,612 | 186,983 | 312,712 |
| Excise tax | 373,083 | 272,195 | 1,391,942 | 605,773 |
| | 5,771,166 | 3,704,055 | 17,555,200 | 8,049,649 |
| Income/(loss) before provision for income taxes and equity in earnings from affiliate | 3,968,027 | 61,220,379 | (47,597,033) | 117,088,595 |
| Provision for income taxes | (122,979) | — | (2,778,758) | — |
| Equity in earnings from affiliate | 2,155,471 | — | 1,911,830 | — |
| **Net Income/(Loss)** | 6,000,519 | 61,220,379 | (48,463,961) | 117,088,595 |
| Dividends on preferred stock | 3,367,354 | 790,100 | 10,102,062 | 790,100 |
| **Net Income/(Loss) Available to Common Stockholders** | $ 2,633,165 | $ 60,430,279 | $ (58,566,023) | $ 116,298,495 |
| **Earnings/(Loss) Per Share of Common Stock** | | | | |
| Basic | $ 0.09 | $ 3.13 | $ (2.10) | $ 7.07 |
| Diluted | $ 0.09 | $ 3.10 | $ (2.10) | $ 7.07 |
| **Weighted Average Number of Shares of Common Stock Outstanding** | | | | |
| Basic | 28,359,937 | 19,336,154 | 27,906,946 | 16,439,100 |
| Diluted | 28,359,943 | 19,462,984 | 27,906,946 | 16,449,450 |
| **Dividends Declared per Share of Common Stock** | $ 0.60 | $ 0.77 | $ 2.20 | $ 2.17 |

## NON-GAAP FINANCIAL MEASURE

This press release contains Core Earnings, a non-GAAP financial measure. AG Mortgage Investment Trust, Inc.'s management believes that this non-GAAP measure, when considered with GAAP, provides supplemental information useful in evaluating the results of the Company's operations. This non-GAAP measure should not be considered a substitute for, or superior to, the financial measures calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated.

Core Earnings are defined by the Company as net income excluding both realized and unrealized gains (losses) on the sale or termination of securities and the related tax provision, if any, on such, including underlying linked transactions and derivatives. As defined, Core Earnings include the net interest earned on these transactions, including credit derivatives, linked transactions, investments in affiliates, inverse Agency securities, interest rate derivatives or any other investment activity that may earn net interest. One of the objectives of the Company is to generate net income from net interest margin on the portfolio and management uses Core Earnings to measure this objective.

A reconciliation of GAAP net income to Core Earnings for the three and nine months ended September 30, 2013 and September 30, 2012 is set forth below:

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net Income/(loss) available to common stockholders | $ 2,633,165 | $ 60,430,279 | $ (58,566,023) | $ 116,298,495 |
| Add (Deduct): | | | | |
| Net realized gain/(loss) | 45,247,890 | (4,105,323) | 116,489,235 | (14,087,123) |
| Tax provision related to realized gain | 95,055 | — | 2,634,847 | — |
| Gain on linked transactions, net | (2,060,270) | (6,688,111) | (6,558,879) | (13,492,268) |
| Net interest income on linked transactions | 2,912,942 | 2,917,262 | 10,457,764 | 6,861,434 |
| Equity in earnings from affiliate | (2,155,471) | — | (1,911,830) | — |
| Net interest income from equity method investment | 312,873 | — | 625,793 | — |
| Unrealized gain/(loss) on real estate securities and loans, net | (40,136,126) | (45,917,570) | 60,668,593 | (78,755,229) |
| Unrealized gain/(loss) on derivative and other instruments, net | 5,779,945 | 13,371,486 | (67,348,314) | 26,793,133 |
| Core Earnings | $ 12,630,003 | $ 20,008,023 | $ 56,491,186 | $ 43,618,442 |
| Core Earnings, per Diluted Share | $ 0.45 | $ 1.03 | $ 2.02 | $ 2.65 |

**Footnotes**

(1) Per share figures are calculated using a denominator of all outstanding common shares including all shares granted to our Manager and our independent directors under our equity incentive plans as of quarter end. Net book value uses stockholders' equity less net proceeds of the Company's 8.25% Series A and 8.00% Series B Cumulative Redeemable Preferred Stock as the numerator.

(2) Generally when we purchase a security and finance it with a repurchase agreement, the security is included in our assets and the repurchase agreement is separately reflected in our liabilities on our balance sheet. For securities with certain characteristics (including those which are not readily obtainable in the market place) that are purchased and then simultaneously sold back to the seller under a repurchase agreement, US GAAP requires these transactions be netted together and recorded as a forward purchase commitment. Throughout this press release where we disclose our investment portfolio and the repurchase agreements that finance it, including our leverage metrics, we have un-linked the transaction and used the gross presentation as used for all other securities. Additionally we invested in certain credit sensitive commercial real estate assets through an affiliated entity, for which we have used the equity method of accounting. Throughout this press release where we disclose our investment portfolio, we have presented the underlying assets consistently with all other investments. This presentation is consistent with how the Company's management evaluates the business, and believes provides the most accurate depiction of the Company's investment portfolio and financial condition.

(3) Net interest margin is calculated by subtracting the weighted average cost of funds from the weighted average yield for the Company's investment portfolio, which excludes cash held by the Company. See footnotes (9) and (10) for further detail.

(4) The total investment portfolio is calculated by summing the fair market value of our Agency RMBS, Non-Agency RMBS, ABS, CMBS and commercial loan assets, including linked transactions and assets owned through investments in affiliates. The percentage of Agency RMBS and credit investments is calculated by dividing the respective fair market value of each, including linked transactions and assets owned through investments in affiliates, by the total investment portfolio.

(5) This represents the weighted average monthly CPRs published during the quarter for our in-place portfolio during the same period.

(6) Diluted per share figures are calculated using weighted average outstanding shares in accordance with GAAP.

(7) The leverage ratio during the quarter was calculated by dividing our daily weighted average repurchase agreements, including those included in linked transactions, for the quarter by the weighted average stockholders' equity for the quarter. The leverage ratio at quarter end was calculated by dividing total repurchase agreements, including repurchase agreements accounted for as linked transactions, plus or minus the net payable or receivable, as applicable, on unsettled trades on our GAAP balance sheet by our GAAP stockholders' equity at quarter end.

(8) The hedge ratio during the quarter was calculated by dividing our daily weighted average swap notionals and net short positions in U.S. Treasury securities, including receive fixed swap notionals and short positions in U.S. Treasury securities as negative values, as applicable, for the period by either our daily weighted average total repurchase agreements or daily weighted average repurchase agreements secured by Agency RMBS, as indicated. The hedge ratio at quarter end was calculated by dividing the notional value of our interest rate swaps and net short positions in U.S. Treasury securities, including receive fixed swap notionals and short positions in U.S. Treasury securities as negative values, as applicable, by either total repurchase agreements or repurchase agreements secured by Agency RMBS, as indicated, plus the net payable/receivable on either all unsettled trades, or unsettled Agency RMBS trades, as indicated.

(9) The yield on our investment portfolio represents an effective interest rate, which utilizes all estimates of future cash flows and adjusts for actual prepayment and cash flow activity as of quarter end. The yield on our investment portfolio during the quarter was calculated by annualizing interest income for the quarter and dividing by our daily weighted average securities held. This calculation excludes cash held by the Company.

(10) The cost of funds during the quarter was calculated by annualizing the sum of our interest expense and our net pay rate of our interest rate swaps, and dividing by our daily weighted average repurchase agreements for the period. The cost of funds at quarter end was calculated as the sum of the weighted average rate on the repurchase agreements outstanding at quarter end and the weighted average net pay rate on our interest rate swaps. Both elements of the cost of funds at quarter end were weighted by the repurchase agreements outstanding at quarter end.

(11) The management fee percentage during the quarter was calculated by annualizing the management fees recorded during the quarter and dividing by the weighted average stockholders' equity for the quarter. The management fee percentage at quarter end was calculated by annualizing management fees recorded during the quarter and dividing by quarter end stockholders' equity.

(12) The other operating expenses percentage during the quarter was calculated by annualizing the other operating expenses recorded during the quarter and dividing by our weighted average stockholders' equity for the quarter. The other operating expenses percentage at quarter end was calculated by annualizing other operating expenses recorded during the quarter and dividing by quarter end stockholders' equity.

(13) Undistributed taxable income per common share represents total undistributed taxable income less an adjustment for the amount of distributions that will accrue on our preferred shares through September 15, 2014.