IMPERIAL FUND ASSET MANAGEMENT | STABILITY & SUCCESS

H1 2026 Update

Imperial Fund Investor Letter

In the first six months of 2026, Imperial Fund Asset Management continued a strong momentum in expanding its residential mortgage credit platform, growing its presence in the non-agency RMBS market, and broadening relationships within institutional investor community.

Since the beginning of the year, Imperial accomplished **four bond offerings** and securitized more than **$2 billion** of residential loans. J.P. Morgan, Morgan Stanley, and Atlas SP led the offerings.

4 Bond Offerings
Securitized more than $2 billion of residential loans

Our frequent and regular issuance cadence helped increase investor appetite, we were excited to welcome **12 new institutional investors to our shelf**, just since the beginning of the year. In total, more than 50 investors have been participating in our shelf regularly, since 2020. Overall, non-QM **secondary trading volume increased 38% year-over-year**, and trading activity in ADMT securities continued to grow in the secondary market.

Non-QM Secondary Trading Volume
Increased 38% YoY

We had also implemented a key structural change in the composition of a pool and lowered **Florida concentration to below 25%**. We intend to maintain this level in future transactions, subject to market conditions.

Florida Concentration
Below 25%

J.P. Morgan is expected to serve as structuring lead for the next transaction – **ADMT 2026-NQM5**, anticipated to launch in early July.

Events

Throughout the first half of the year, the Imperial Fund team participated in 20 key industry conferences across the U.S., Europe, and the MENA region, including SuperReturn Saudi Arabia, Global Alts Miami, Global Alts New York, SFVegas 2026, and Global ABS in Barcelona. In addition, members of our management team served as panelists at IMN's Residential Mortgage Securitization Conference, and at IMN's Non-QM Forum.

Participated In 20 Key Industry Conferences
Across the U.S., Europe, and the MENA region

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We also hosted our Spring 2026 Residential Mortgage Investor Meetup, which featured senior executives from Imperial Fund and AD Mortgage sharing their perspectives on the latest developments in U.S. residential mortgage credit.

Spring 2026 Residential Mortgage Investor Meetup
May 6

If you would like to arrange a meeting during the conference, please contact *agezunterman@imperialfund.com.*

Economic Overview

Throughout the first half of 2026, the major developments surrounding the global economy have been focused on geopolitical uncertainty in the Middle East, inflationary pressures, and the impact on equities, bonds, and future paths for monetary policy.

Political uncertainty in the Middle East resulted in the closing of the Strait of Hormuz, suppressing the flow of oil and contributing to elevated inflation. The annual inflation rate reached 4.2% in May 2026, largely driven by energy costs increasing by 23.5% This presents Kevin Warsh with challenges as he assumes the role of Fed Chair. In the latest meeting on June 16-17, 2026, the FOMC voted unanimously to maintain the target rate for the federal funds rate at 3.5% - 3.75% as the Fed waits to see whether inflation is persistent. Warsh's first meeting marked a shift in the way the Fed will run as he eliminated forward guidance and shortened the Fed's policy statement. Due to elevated inflation and an increased probability of rate hikes, the bond market has experienced volatility as bond yields have hit their highest levels in years.

Annual Inflation Rate
Reached 4.2% in May 2026

Target Rate For The Federal Funds Rate
3.5% - 3.75%

Institutional Participation

The Basel Endgame re-proposal is a tailwind for MBS demand. By reducing the capital requirements for large banks, the proposal frees up over $175bn of capital compared to the previous proposal. At the same time, senior securitized credit now has a lower risk-weight than agency MBS, impacting the relative value proposition. The risk-weight floor for securitized credit was reduced from 20% to 15%, while conventional Agency MBS remained at 20% Banks are likely to play a larger role in non-QM than historically, given the benefits with deregulation.

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Insurance companies also remain important buyers, especially those with spread targets, as non-QM AAA offers a competitive yield against IG corps at 5.2% and above CLO AAA at 4.8% Against Agency MBS, non-QM has tightened near the long-term median spread ratio of around 1, signaling a fair relative value.

RMBS Update

Non-agency RMBS issuance in 2026 continues to outpace previous years, reaching $103bn YTD, exceeding 2025 issuance of $65bn at this point by 57%. Gross issuance is expected to reach over $260bn by the end of the year due to growth in sectors like non-QM, seconds, and HELOC. The non-QM sector has led the market in issuance, reaching $45bn in 2026.

Non-Agency RMBS Issuance In 2026
$103bn YTD

Although non-QM delinquencies rose from mid-2022 to early 2025, delinquency rates generally plateaued in 2025 and the beginning of 2026 because of improved lending standards and credit profiles. Most notably, 760+ credit scores started to make up higher shares of non-QM mortgages (from 31% in the 2nd half of 2022 to 45% in the 2nd half of 2025), while the share of mortgages in non-QM RMBS with an 80%+ LTV has declined to around half what it was before covid. In May, prepayment speeds have decreased across non-agency, with non-QM declining from 19 CPR to 17 CPR, although they remain elevated over the past years and near recent peaks. 2024 and 2025 vintages are experiencing the highest prepays, at 22 and 20 CPR, respectively.

Spreads across non-QM have tightened from the beginning of the year, with A1 and A2 classes tightening by 10bps, while lower rated bonds like A3 and M1 have tightened by 25 to 30 bps. Jumbo fixed and LCF Subprime spreads, meanwhile, have widened by 11bps.

Conclusion

Elevated inflation, geopolitical uncertainty, and shifting expectations around monetary policy have contributed to an uncertain economic backdrop for bond markets. Despite this, non-QM issuance has remained strong, supported by stabilizing delinquency rates, improved lending standards, and institutional demand tailwinds for senior RMBS. While prepayment speeds and delinquencies are important to monitor, non-QM continues to benefit from attractive relative value and a less strict regulatory environment.

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