Janus Henderson INVESTORS

RMBS

NON-AGENCY RESIDENTIAL MORTGAGE-BACKED SECURITIES

A U.S. securitized products primer

WHAT ARE NON-AGENCY RMBS?

Mortgage-backed securities are collections of residential mortgages with similar characteristics that are packaged together, or securitized, and sold to investors. The cash flows (principal and interest payments) from the underlying mortgage loans are passed through to investors.

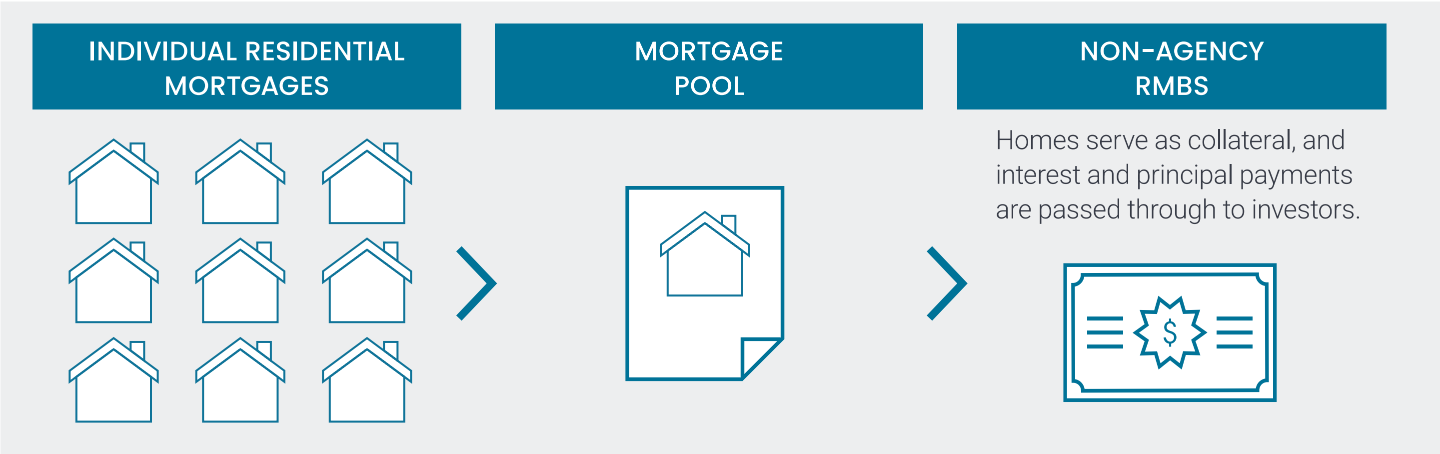
In contrast to agency mortgage-backed securities (MBS), **non-agency residential mortgage-backed securities (RMBS)** are created by private entities and do not carry a government guarantee. Non-agency RMBS are typically comprised of residential mortgages that do not meet the criteria to qualify as conforming (or agency) loans.

Securitizations are bonds created via the bundling of contractual debt, such as mortgages, bank loans, or auto loans. These bundles are repackaged into buckets – or tranches – and sold to investors. Investors receive the cash flows from the underlying loans (in the form of interest and principal payments) as a return on their investment.

U.S. SECURITIZED MARKET

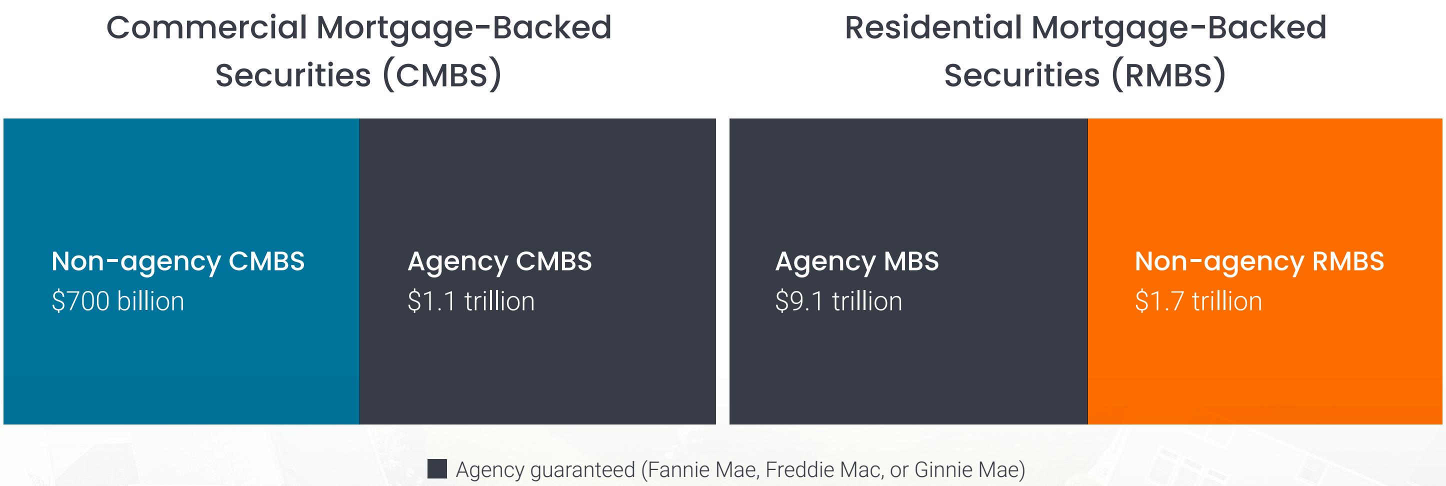
Agency MBS	CMBS	CLO	ABS	Non-Agency RMBS
Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Loan Obligations	Asset-Backed Securities	Residential Mortgage-Backed Securities

Non-agency RMBS: From homeowners to investors



Non-agency RMBS within the greater U.S. mortgage market

While agency-guaranteed mortgages make up the lion's share of the U.S. mortgage market, the non-agency RMBS market is large and diverse, with over $1.7 trillion in outstanding securities. We include $1.1 trillion of agency collateralized mortgage obligations (agency CMOs) in the Non-agency RMBS bucket. Despite having agency backing, agency CMOs have a capital structure to them, and are therefore more closely aligned with non-agency securities.



Source: Bank of America, as of 31 December 2024.

Qualified vs. non-qualified mortgages

For a mortgage to be agency guaranteed, it must adhere to specific federal underwriting guidelines. Mortgages that meet these guidelines are termed qualified mortgages (QM) and are typically sold to one of the government agencies to be packaged with other loans into agency MBS.

Loans that do not meet these criteria are referred to as non-QM loans and form part of the non-agency RMBS market. Because the parameters for QM loans are relatively narrow, loans may be classified as non-QM for a wide array of reasons.

The table below outlines the key differences between QM and non-QM mortgages.

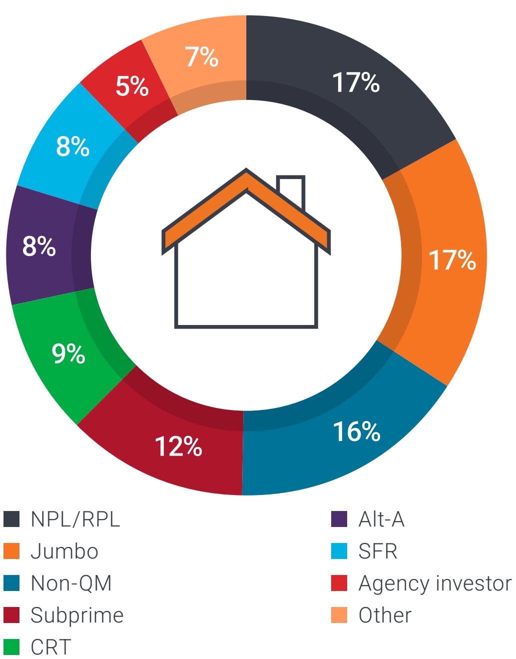
	QM LOANS	NON-QM LOANS
LOAN SIZE	Conforms to federal limits (generally <$806,500, but exceptions apply)	May exceed conforming loan limits
INCOME VERIFICATION	Traditional (W2, pay statements, tax returns)	Alternative (bank statements)
PROPERTY TYPE	Primary residence	Non-primary residence or investment properties
DOWN PAYMENTS	At least 3%	Variable
MORTGAGE RATES	Lower rates for borrowers	Typically higher than QM loans
CREDIT SCORES	>620	Variable
DEBT TO INCOME RATIO (DTI)	Generally <43%, but can be higher under certain circumstances	Variable

U.S. non-agency RMBS subsectors

While non-QM loans make up a notable percentage of the non-agency RMBS universe, various other subsectors also exist.

The non-agency market is broad and diversified, serving as a catchall for residential credit that is not agency guaranteed. Because non-agency RMBS is not comprised of homogenous assets, we believe investing in the sector requires an active, research-driven approach.

U.S. non-agency RMBS market by subsector



Source: Bank of America, as of December 2024.

- **NPL/RPL:** Non-performing loans / re-performing loans.
- **Jumbo:** Mortgages that exceed conforming loan limits.
- **Non-QM:** Mortgages that do not meet QM criteria and are often lacking documentation/income verification requirements.
- **Subprime:** Mortgages with FICO scores below 620.
- **CRT:** Credit risk transfer securities assign a portion of mortgage credit risk from government agencies to investors.
- **Alt-A:** Typically riskier than prime loans but less risky than subprime, Alt-A mortgages were designed for borrowers with unique financial situations.
- **SFR:** Single-family rental property loans.
- **Agency investor:** Loans underwritten according to Fannie and Freddie guidelines, but securitized in private markets.

Key characteristics of non-agency RMBS

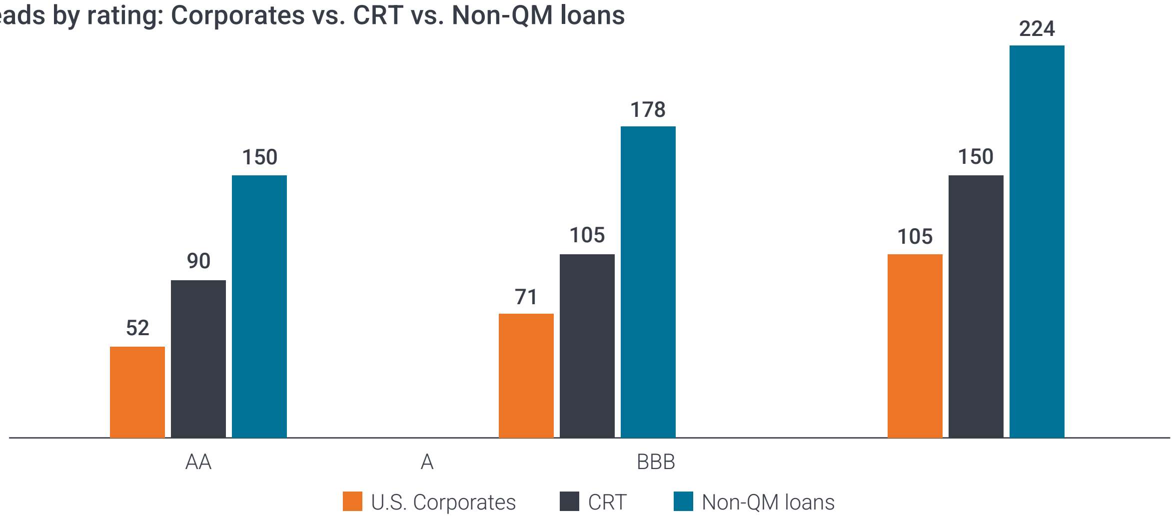
1. Diversification of risk exposures

In contrast to corporate bonds, where investors are exposed to a single borrower, non-agency RMBS are comprised of pools of thousands of individual loans from different borrowers. And while corporate bonds give investors exposure to the corporate business cycle, non-agency RMBS allow investors to diversify their overall risk exposure by including assets linked to the U.S. consumer.

2. Attractive yields

While yields can vary greatly within non-agency RMBS, the sector broadly offers attractive yields relative to corporate bonds of similar ratings. Non-QM loans offer a significant pickup in credit spread versus corporate bonds, while spreads on CRT securities come in slightly lower – as expected, considering only a portion of their credit risk is transferred to investors, while the rest is retained by government agencies.

Credit spreads by rating: Corporates vs. CRT vs. Non-QM loans



Source: Bloomberg, J.P. Morgan, as of 30 September 2025.

3. Securitization creates tranches with varying degrees of risk

Like most securitized sectors, non-agency RMBS are divided into tranches of differing credit quality. This allows investors to gain exposure to assets within the sector, while also dialing in their preferred level of risk.

4. Prepayment risk

Like agency MBS, prepayment risk is a key fundamental risk for non-agency RMBS. Borrowers may pay off or refinance their mortgage at any point, which would negate the future income on that mortgage. Non-agency RMBS pay an additional yield, or spread, above the yield on a comparable U.S. Treasury to compensate investors for the uncertainty about when, or if, a borrower will prepay their mortgage.

5. Default risk

Unlike agency MBS, which carry a government guarantee and have negligible credit risk, investors in non-agency RMBS are exposed to default risk. As a result, non-agency RMBS pay higher credit spreads than agency MBS.

Investors should not assume that all non-agency mortgages are of poor credit quality because they do not carry a government guarantee. A significant portion of the non-agency market is comprised of high-quality loans that may not qualify as agency loans due to reasons unrelated to their credit quality.

Through non-agency RMBS, investors can gain exposure to assets with very low default risk at more attractive yields, simply because they don't carry a government guarantee. We believe a deep, research-driven process is key to identifying such loans that may offer attractive risk-reward tradeoffs.

Non-agency RMBS and the Global Financial Crisis (GFC)

There is no denying that RMBS was a key contributor to the GFC. It is generally accepted that faulty sub-prime mortgages and other non-standard products that were packaged into collateralized debt obligations, or CDOs, proved to be the major contributing factor that led to the crisis.

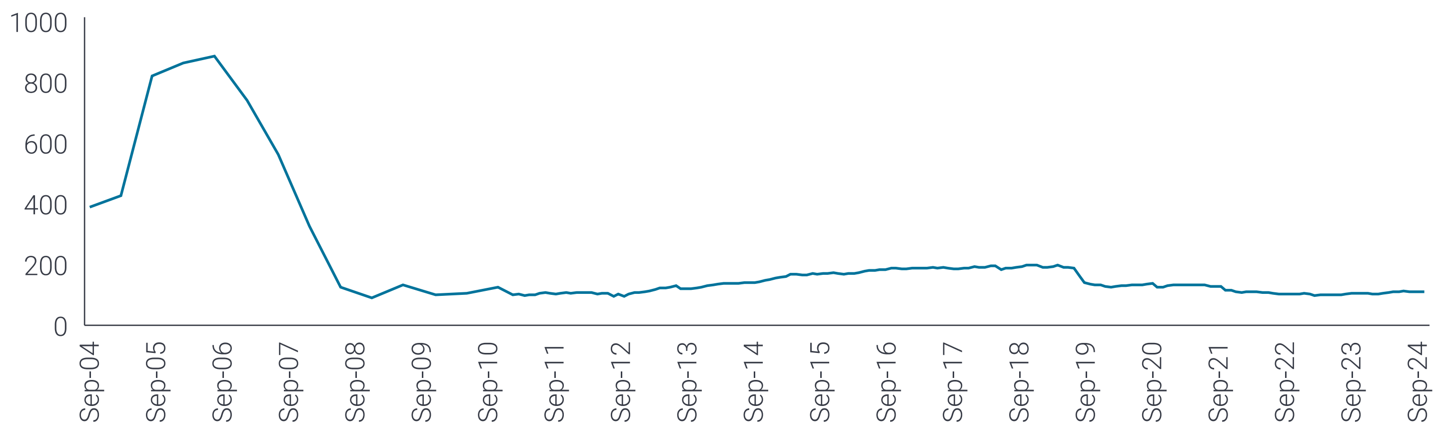
That said, we believe investors should not eschew non-agency mortgages because of what happened in 2008. Significant regulatory and business practice changes occurred after the GFC that were aimed at ensuring the situation would not be repeated.

Leading up to the GFC, large numbers of faulty, fraudulent, and reckless loans were issued to homebuyers, including the infamous NINJA loans (No Income, No Job, or Assets). The loans were then packaged into CDOs and sold to investors. When the loans began to default, investors lost a lot of money.

It is important to grasp how much stricter mortgage lending regulations are post-GFC. These days, the underwriting requirements involved in securing a loan are far stricter, and Fannie Mae and Freddie Mac's requirements for purchasing loans are also much more stringent than in the leadup to the crisis. After burning their fingers badly in the GFC, banks are averse to writing loans they cannot sell, and any loans they do underwrite are usually of very high quality.

Mortgage credit availability index

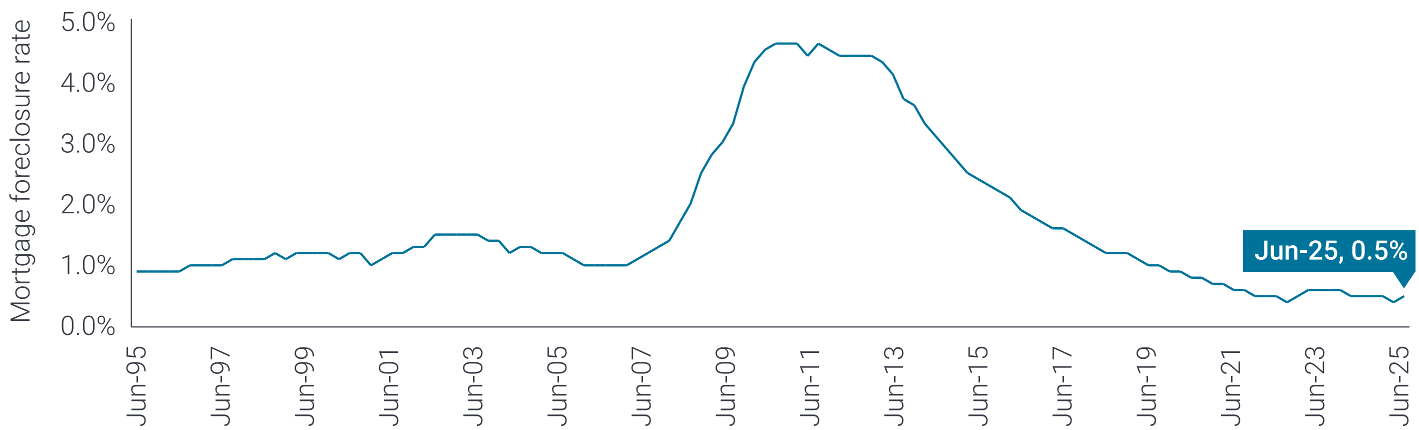
Stricter lending regulations have made it more difficult to get a mortgage post-GFC.



Source: Mortgage Bankers Association, as of 30 September 2025. The Mortgage Credit Availability Index (MCAI) is a barometer on the availability or supply of mortgage credit at a point in time.

Foreclosures as a percentage of total loans

Stricter lending requirements have contributed to foreclosure rates falling to all-time lows.



Source: Mortgage Bankers Association, as of 30 September 2025.

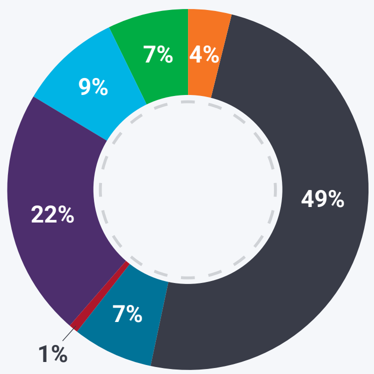
JANUS HENDERSON: SECURITIZED SPECIALISTS

We believe much of the value in active bond asset management comes from security selection. Characteristics of individual securities can vary widely, and it is the role of the asset manager – ideally armed with decades of experience and sophisticated analytic systems – to pick securities that offer better risk-reward potential and combine them into a portfolio with the yield and risk targets that investors seek.

We offer access to the growing and complex securitized market through our single-sector and full coverage products.

Janus Henderson securitized

$44.6 B
in firmwide securitized assets



Source: Janus Henderson Investors, Bloomberg, Morningstar, as of 31 December 2024.
Note: Firmwide assets include securitized products available outside of the U.S. and securitized portions of other fixed income strategies.

Dedicated RMBS expertise

John Kerschner, CFA
- Global Head of Securitised Products
- 35 years of financial industry experience

Nick Childs, CFA
- Head of Structured and Quantitative Fixed Income
- 22 years of financial industry experience

Thomas Polus, CFA
- Portfolio Manager, Securitized Products Analyst
- 12 years of financial industry experience

GLOBAL SECURITIZED PLATFORM

6 Portfolio Managers Average of 23 years industry experience	9 Analysts Average of 13 years industry experience

KEY INVESTMENT PARTNERS

Quantitative Research	Global Credit Research	Fixed Income Trading	Equity Central Research	Risk Management
4 analysts 12 years average experience	20 analysts 17 years average experience	15 traders 23 years average experience	35 analysts 17 years average experience	8 analysts 15 years average experience

FOR MORE INFORMATION, PLEASE VISIT JANUSHENDERSON.COM

Janus Henderson INVESTORS

Investing involves risk, including the possible loss of principal and fluctuation of value.

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Credit Spread is the difference in yield between securities with similar maturity but different credit quality. Widening spreads generally indicate deteriorating creditworthiness of corporate borrowers, and narrowing indicate improving.

Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

Securitized products, such as mortgage- and asset-backed securities, are more sensitive to interest rate changes, have extension and prepayment risk, and are subject to more credit, valuation and liquidity risk than other fixed-income securities.

Mortgage-backed securities (MBS) may be more sensitive to interest rate changes. They are subject to extension risk, where borrowers extend the duration of their mortgages as interest rates rise, and prepayment risk, where borrowers pay off their mortgages earlier as interest rates fall. These risks may reduce returns.

Tranches are segments of a pool of securities that are divided up by credit rating, maturity, or other characteristics.

Non-agency mortgage-backed securities are backed by loans that often have less favorable collateral, credit, or underwriting characteristics than those issued by government or government-sponsored entities. These may include “subprime” loans, made to borrowers with lower credit ratings or limited credit histories, who are more likely to default. Securities backed by such loans may be more sensitive to housing market conditions and may experience greater volatility and risk of nonpayment, particularly during periods of economic stress.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

The views presented are as of the date published. They are for information purposes only and should not be used or construed as investment, legal or tax advice or as an offer to sell, a solicitation of an offer to buy, or a recommendation to buy, sell or hold any security, investment strategy or market sector. Nothing in this material shall be deemed to be a direct or indirect provision of investment management services specific to any client requirements. Opinions and examples are meant as an illustration of broader themes, are not an indication of trading intent, are subject to change and may not reflect the views of others in the organization. It is not intended to indicate or imply that any illustration/example mentioned is now or was ever held in any portfolio. No forecasts can be guaranteed and there is no guarantee that the information supplied is complete or timely, nor are there any warranties with regard to the results obtained from its use. Janus Henderson Investors is the source of data unless otherwise indicated, and has reasonable belief to rely on information and data sourced from third parties. Past performance does not predict future returns. Investing involves risk, including the possible loss of principal and fluctuation of value.

Not all products or services are available in all jurisdictions. This material or information contained in it may be restricted by law, may not be reproduced or referred to without express written permission or used in any jurisdiction or circumstance in which its use would be unlawful. Janus Henderson is not responsible for any unlawful distribution of this material to any third parties, in whole or in part. The contents of this material have not been approved or endorsed by any regulatory agency.

Janus Henderson Investors is the name under which investment products and services are provided by the entities identified in the following jurisdictions: (a) **Europe** by Janus Henderson Investors International Limited (reg no. 3594615), Janus Henderson Investors UK Limited (reg. no. 906355), Janus Henderson Fund Management UK Limited (reg. no. 2678531), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority), Tabula Investment Management Limited (reg. no. 11286661 at 10 Norwich Street, London, United Kingdom, EC4A 1BD and regulated by the Financial Conduct Authority) and Janus Henderson Investors Europe S.A. (reg no. B22848 at 78, Avenue de la Liberté, L-1930 Luxembourg, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier); (b) the **U.S.** by SEC registered investment advisers that are subsidiaries of Janus Henderson Group plc; (c) **Canada** through Janus Henderson Investors US LLC only to institutional investors in certain jurisdictions; (d) **Singapore** by Janus Henderson Investors (Singapore) Limited (Co. registration no. 199700782N). This advertisement or publication has not been reviewed by Monetary Authority of Singapore; (e) **Hong Kong** by Janus Henderson Investors Hong Kong Limited. This material has not been reviewed by the Securities and Futures Commission of Hong Kong; (f) **South Korea** by Janus Henderson Investors (Singapore) Limited only to Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations); (g) **Japan** by Janus Henderson Investors (Japan) Limited, regulated by Financial Services Agency and registered as a Financial Instruments Firm conducting Investment Management Business, Investment Advisory and Agency Business and Type II Financial Instruments Business; (h) **Australia and New Zealand** by Janus Henderson Investors (Australia) Limited (ABN 47 124 279 518) and its related bodies corporate including Janus Henderson Investors (Australia) Institutional Funds Management Limited (ABN 16 165 119 531, AFSL 444266) and Janus Henderson Investors (Australia) Funds Management Limited (ABN 43 164 177 244, AFSL 444268); (i) **the Middle East** by Janus Henderson Investors International Limited, regulated by the Dubai Financial Services Authority as a Representative Office. This document relates to a financial product which is not subject to any form of regulation or approval by the Dubai Financial Services Authority (“DFSA”). The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with this financial product. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. The financial product to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on the financial product. If you do not understand the contents of this document you should consult an authorised financial adviser. No transactions will be concluded in the Middle East and any enquiries should be made to Janus Henderson. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

Outside of the U.S., Australia, Singapore, Taiwan, Hong Kong, Europe and UK: For use only by institutional, professional, qualified and sophisticated investors, qualified distributors, wholesale investors and wholesale clients as defined by the applicable jurisdiction. Not for public viewing or distribution. Marketing Communication.